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**FEDERAL OPEN MARKET COMMITTEE
CONFERENCE CALL
January 6, 1993**

PRESENT: Mr. Greenspan, Chairman
Mr. Corrigan, Vice Chairman
Mr. Angell
Mr. Boehne
Mr. Keehn
Mr. Kelley
Mr. LaWare
Mr. Lindsey
Mr. McTeer
Mr. Mullins
Ms. Phillips
Mr. Stern

Messrs. Broaddus, Jordan, and Forrestal, Alternate Members of the Federal Open Market Committee

Messrs. Hoenig, Melzer, and Syron, Presidents of the Federal Reserve Banks of Kansas City, St. Louis, and Boston

Mr. Kohn, Secretary and Economist
Mr. Bernard, Deputy Secretary
Mr. Coyne, Assistant Secretary
Mr. Prell, Economist
Mr. Truman, Economist

Messrs. J. Davis, R. Davis, T. Davis, Dewald, Promisel, Siegman, Simpson, and Slifman, Associate Economists

Mr. McDonough, Manager of the System Open Market Account

Mr. Wiles, Secretary of the Board, Office of the Secretary, Board of Governors
Mr. Winn, Assistant to the Board, Office of Board Members, Board of Governors
Mr. Allison, Assistant to the Board for Federal Reserve System Affairs, Office of Board Members, Board of Governors
Mr. Stockton, Associate Director, Division of Research and Statistics, Board of Governors
Mr. Moore and Ms. Werneke, Special Assistants to the Board, Office of Board Members, Board of Governors
Mr. Siciliano, Special Assistant to the General Counsel, Legal Division, Board of Governors

Ms. Low, Open Market Secretariat Assistant, Division of Monetary Affairs,
Board of Governors

Messrs. Beebe, Lang, Rolnick, Rosenblum, Scheld, and Ms. Tschinkel, Senior
Vice Presidents, Federal Reserve Banks of San Francisco, Philadelphia,
Minneapolis, Dallas, Chicago, and Atlanta respectively

Transcript of Federal Open Market Committee Conference Call
January 6, 1993

CHAIRMAN GREENSPAN. Good afternoon and a happy New Year to you all. The basic purpose of this telephone conference is to respond to a letter from Henry B. Gonzalez, and I will ask the Secretary of this Committee, Don Kohn, to lead off the discussion.

MR. KOHN. Thank you, Mr. Chairman. The Committee has gotten copies of the letter to Chairman Greenspan and of the press release issued by Chairman Gonzalez. [See Appendix.] In addition, Chairman Gonzalez introduced some legislation yesterday which has a bearing on this, and in a second I'll ask Don Winn to summarize that particular part of the legislation.

Mr. Chairman, I have a couple of things to put on the table for discussion. My suggestion is, first, that you respond to Chairman Gonzalez with a letter noting that the letter you [previously] sent him did reflect the discussions and views of the Committee and in fact was reviewed by members of the Committee and incorporated their comments before being sent to him. The letter would go on to say that, nonetheless, you've forwarded Chairman Gonzalez's letter to the presidents and governors and asked them to make their own views known to him if they wish to do so. In responding to Chairman Gonzalez, the situation is a bit confusing--I find it is anyhow--from a couple perspectives. One is that the letter to you, Chairman Greenspan, simply talked about detailed minutes and didn't say anything about when they would be released. However, the accompanying press release sticks with the [proposal that they be released after] 60 days. I think we can probably logically view the letter and the press release as a unit and assume that he meant there would be detailed minutes and that he intended to have them released in 60 days. So in some sense that's the proposal he has on the table now.

MR. FORRESTAL. This is Atlanta, we've lost something. Are you still on, Don?

MR. KOHN. Yes.

MR. BOEHNE. So have we in Philadelphia.

MR. MCTEER. Dallas too.

MR. KOHN. Well, I'm sorry. I'll go back a few steps, then.

MR. FORRESTAL. We were up to you when you said you were somewhat confused by the [situation].

MR. KOHN. Well, I think there are a couple of confusing aspects here. One is that the letter talks about the memorandum of discussion but does not mention a timing for its release. But the press release does talk about a 60-day release timing. So, my suggestion was to treat the letter and the press release as a unit and assume that the Gonzalez proposal on the table is for a memorandum of discussion to be released in 60 days. Secondly, we have the legislative proposal, which Don Winn will summarize in a second. I don't think we need to respond to that directly in the letter although implicitly, of course, whatever you say would have a bearing on the

Fed's position on that and you ought to keep that in mind as you are responding. Another aspect is that Chairman Greenspan's response to Chairman Gonzalez did not explicitly say anything about our concerns about protecting the confidentiality of any memorandum of discussion for a sufficient period of time. To the extent you object to putting together a memorandum of discussion and certainly if you object to releasing it early and have qualms about the degree to which it could be protected for a number of years--if that is your view--I think you probably ought to say that. We ducked that issue in our letter partly because we were concerned about the implication that maybe a law could be passed to deal with that and we didn't want to give him that opening. But if this is an important issue as you consider whether you're in favor of something or not, without necessarily suggesting a law be passed you ought to say that you have problems under the Freedom of Information Act if this memorandum is produced and can't be protected for an appropriate period of time. Perhaps Don Winn can summarize the bill.

MR. WINN. The bill Chairman Gonzalez introduced yesterday does address this issue very explicitly. There are two provisions that deal with the issue of disclosure. One says that there should be minutes, a transcript, and a videotape--all three--of the meeting that would be made publicly available within 60 days. Secondly, there is a provision that says that any determination, decision, directive, or other conclusions by the FOMC must be made available to the public within a week of the meeting. So, this one-week provision is a new angle that had not been mentioned in his earlier correspondence or press releases but is now a part of this new legislation. Let me also say that I have just finished a written detailed summary of what is in this bill, and I will be putting that in the Pouch to you tonight along with the text of the legislation and a section-by-section summary that his staff did. I don't know if the disclosure provisions that I've just described shed much light in terms of how we should deal with the letter. It does show what is on his mind.

MR. KOHN. My view, Mr. Chairman, would be that it's not necessary or even desirable to respond to that legislation through these letters. You weren't asked to do so; you were asked to respond to the previous letters. But this would be valuable background information for the Committee to have.

CHAIRMAN GREENSPAN. Yes, I would basically suggest that you limit your responses to the nature of the questions that were asked unless you want to engage in extended future correspondence because the issue here is that we have a bill before the Congress and we don't have to testify. And while it is useful to be fully responsive to Chairman Gonzalez's questions, I don't think it is appropriate to go beyond them. Should you do so, I think you merely extend the general [scope of the] letter [and of] the various elements of agreement and disagreement. I think that [the issues raised in] the legislation Chairman Gonzalez has introduced probably should best be left to our [future] response to the specific [provisions] of the legislation.

MR. SYRON. Mr. Chairman, I very much agree with what you said. I just want to ask a question. If one were to say that he is sympathetic to the idea of reintroducing the memorandum of discussion, provided it is released after a long, long period and then indicated that we would need [legislative] protection, that does seem to me to

raise the [broader] issue that some legislation is necessary. And that is a fairly important issue. We would be saying that we might want some form of legislation.

CHAIRMAN GREENSPAN. Well, I would suggest that we have two choices. You can either say that you're basically supportive of verbatim transcripts released after a protracted period but are concerned that the existing statutes do not protect that position. That is a much weaker statement than [the other choice, which is] saying that we need, and indeed are recommending, legislation. These are comparable responses to the question, but one need not go forward and basically advocate such a statute, unless in fact one does.

MR. SYRON. I agree with what you are saying. It is true that getting into it is the basic problem; I understand. But the existing statutes aren't there and that would be their natural response. I think we're right back to that burden of having them say: "Well, what would you need in the way of statutes?"

CHAIRMAN GREENSPAN. Well, in that respect I think we have very little choice. A decade ago, in fact, we as an organization were supportive of legislation that would indeed do that. And unless we as a group are against the release of minutes in any form, then the question essentially is: How do we all respond to that question? The thing we want to do least of all is to be evasive, as Don Kohn essentially said. There are certain things that [follow] when pressed on this. Once you say that you are not against detailed minutes, as any individual might--and some of you did say you were not against detailed minutes provided there was a sufficient time lag before they were released--then there is a set of logical questions which necessarily follow. And once you take that position, I think of necessity you are obligated to respond to that. The only thing I'm suggesting is that there is a difference--not a great difference, but a difference--between stipulating that you are actively supportive of producing minutes and you need legislation to protect them, which is position one, or that you are not necessarily against them, but if they should be forthcoming you think a protective statute is required, which is position two. Now, you may say there's no substantive difference between those positions; I tell you that there is, politically.

MR. BOEHNE. Mr. Chairman, do you think that we're all going to have to reply individually sooner or later or do you think that there are any advantages to not replying individually at all?

CHAIRMAN GREENSPAN. I think that it would be appropriate to respond. But if, having reviewed [my] original letter, you happen to agree with it, one response is that you have reviewed the original letter and that it reflects your views or something like that.

MR. BOEHNE. It totally reflects my views.

MR. HOENIG. Mr. Chairman, this is Tom Hoenig. I want to ask Don if there was consideration given merely to responding once again that the Committee as a whole thought it best to respond as one body and not get into [a position where] some of us were responding and some of us were not responding. [Individual responses could result

in] having different views coming out now as Chairman Gonzalez has introduced legislation.

MR. KOHN. That's clearly an option. I guess I was reacting to his letter and assuming that if we did [respond as a group], we'd get another letter back and we'd be in an endless loop. But that may be better than the alternatives. So, I wouldn't rule that out, Mr. Chairman.

CHAIRMAN GREENSPAN. No, I would disagree with that. I think until that issue is resolved, until we actually respond [unintelligible], all we are doing is creating problems for ourselves. My only concern about our answering individually in the beginning was that we did not have the occasion to interact amongst ourselves, with our different degrees of knowledge, to in fact [reach] a System understanding of what the particular issues are. But having done that, I think we should respond. If we chose not to respond, we would merely be throwing fuel into a fire of dispute, which I don't think really gets us very far or serves any particular purpose.

MR. MULLINS. But in Don's recommended response we would point out that the earlier letter did reflect the deliberations and consensus of the Committee.

CHAIRMAN GREENSPAN. Oh, indeed. Yes, certainly.

MR. KOHN. Yes, absolutely.

MR. MULLINS. That is correct.

MR. KELLEY. One other thing that might be a good idea would be to set a time when we would all try to send a response so that they arrive more or less at the same time. It might be a mistake if they all were sent in one packet, but they should arrive more or less at the same time rather than be strung out over a couple of weeks.

CHAIRMAN GREENSPAN. I agree with that and I would suggest that we should all have our letters in by next Friday unless somebody sees some problems in doing so.

MR. KELLEY. Friday a week, or Friday the day after tomorrow?

CHAIRMAN GREENSPAN. Friday a week.

MR. KOHN. May I also suggest, Mr. Chairman, that each of you send a copy to Norm Bernard when you send one to Chairman Gonzalez?

CHAIRMAN GREENSPAN. Indeed.

MR. KEEHN. Mr. Chairman, this is Si Keehn. The transmission is a bit rugged so I may have missed something. There are those of us who are just opposed to taking verbatim minutes; if so, I assume that ought to be our position.

MR. ANGELL. I didn't hear you.

CHAIRMAN GREENSPAN. Si, would you repeat what you just said?

MR. KEEHN. This is Si Keehn. The telephone hookup is bad, and I missed part of what you said earlier. But if there are some who are just opposed to taking verbatim minutes and prefer to say so, I assume that's a reasonable position to take.

CHAIRMAN GREENSPAN. Certainly, just say so. I was basically saying that I concluded from the earlier discussion that there was a difference of opinion on this particular question. I think some of the members were against taking verbatim minutes under any conditions. The remaining members were perhaps in favor of it provided that there was statutory protection such that premature release was not available. Now, my impression at the meeting--and I think we suggested that in the letter [to Mr. Gonzalez]--was that those two positions included every member of the Board and all the presidents; we all took one of those two positions. And there's nothing that I can see which suggests that those of you who are in fact against it in principle should not say so.

MR. ANGELL. The original letter to you, as I recall, did not ask for individual replies from the Board of Governors.

CHAIRMAN GREENSPAN. That's right.

MR. ANGELL. And, as I recall, since I've been a member of the Board there has never been a time when we've been requested as members of the Board to give an individual reply. Now for me this is somewhat problematic because I've never been involved in as serious a discussion on this issue with members of the FOMC, whereas in the Board meetings I clearly have been involved as one who is not a middle-of-the-roader on this question of openness and Government in the Sunshine. So I just want the members of the FOMC to know that I recognize that my position is not in the consensus; it is not in the majority at the Board. I did not bother to argue the issue because there are so few who hold the position that I hold that I thought it would be a waste of my breath to do so. But I do want to make this warning that my view is not mainstream.

CHAIRMAN GREENSPAN. Well, why don't you just say that. And you can confirm the fact that the consensus of the Board is quite different.

MR. ANGELL. Yes, I will do that.

MR. KOHN. Mr. Chairman, may I clarify a point of nomenclature? You used the term "verbatim minutes." I'm not sure about Governor Angell's position, but I don't think anybody was in favor of absolute verbatim minutes released at any time. In fact, the responses that Mr. Neal got in 1977 indicated that [only] a very small minority of those respondents were in favor of verbatim transcripts of any sort. There were, however, more people in favor of something called the "Memorandum of Discussion," which is not verbatim but is a summary. So, there may be Committee members who are in favor of a memorandum of discussion type document but not the verbatim minutes.

CHAIRMAN GREENSPAN. That's an important qualification. To read actual verbatim minutes would convey far less than a summary memorandum. Indeed, I would suggest to you that it would convey far less than what we do now. We are interpreting what it is we say and

believe in a manner which I think would be difficult for someone with a transcript to figure out.

MR. LAWARE. I was going to ask the same question about whether it was necessary for each of us to answer this letter. But I think the suggestion was that one could answer simply by saying that you had shared with us the text of the letter that you wrote to him and that one is in concurrence with that letter. That's a satisfactory answer?

CHAIRMAN GREENSPAN. Perfectly satisfactory.

MR. MULLINS. Is there a feeling that everyone needs to say that or something?

CHAIRMAN GREENSPAN. I think you have to send a piece of paper to Mr. Gonzalez or he will send you another letter, and you can keep down the postage cost--

MR. LAWARE. Suppose you mark it "Not known at this address" and send it right back! [Laughter]

CHAIRMAN GREENSPAN. I bet you'd get his attention. Anything further that anyone wishes to raise relevant to this question?

MR. PARRY. Not to beat a dead horse, Mr. Chairman, but if we send those in and different views come forward, even if they are modestly different, will we not also be adding fuel to the fire in the sense of generating letters that say: So-and-so thinks that's a good idea and so-and-so thinks this is a good idea. Now explain to me why you have these differences among you given these other views?

CHAIRMAN GREENSPAN. The answer is "yes."

MR. PARRY. Okay, thank you.

CHAIRMAN GREENSPAN. In fact, it is not only "yes" but that's the purpose of the whole exercise.

MR. PARRY. I agree. Okay.

CHAIRMAN GREENSPAN. Anything else, anybody?

VICE CHAIRMAN CORRIGAN. Alan, this is Jerry. We talked about this whole set of questions a couple of months ago. My recollection is that you were putting together an ad hoc committee to be chaired by Dave Mullins that was supposed to be looking at other aspects of this question. Is that correct or is it now moot? Or where does that stand?

MR. MULLINS. Don, would you like to give an update on where we stand on our subcommittee deliberations?

MR. KOHN. The subcommittee met and I'm in the process of summarizing its deliberations. It met for a couple of hours, actually, went through a number of these alternatives, and listed the pros and cons and whatnot. So, the subcommittee is definitely in

existence and intends to give at least a preliminary notion of its conclusions at the February FOMC meeting.

MR. MULLINS. Part of the objective of the timing was to prepare for the Humphrey-Hawkins hearings.

VICE CHAIRMAN CORRIGAN. I clearly understand that. Is there anything that could be said, particularly in response to the concerns that Tom Hoenig and others have raised, apropos that you could [unintelligible] this subcommittee, have the record somehow or other [unintelligible] outflanked by events between now and February?

MR. KOHN. What was that last phrase, Jerry? Your words are breaking up.

VICE CHAIRMAN CORRIGAN. Actually, the connection is terrible for everybody. I was asking whether there is anything at all to be said for getting on the record right now, prior to that Committee meeting in February, so that events don't completely pass us by in terms of an ability to think about what the subcommittee has to say--

MR. KOHN. We thought about that, Jerry, when we were formulating the initial response. Our concern about saying something directly about the subcommittee at that time was twofold. One, we anticipated that Mr. Gonzalez would ask us for a verbatim transcript of everything the subcommittee was talking about and had done and all the background papers and we'd get caught up in that. One of the notions--if Governor Mullins wants to talk about this--was that we should do this on our schedule and try to do what was right by this issue and not necessarily be driven by Mr. Gonzalez and his time schedule. And telling him about the subcommittee simply would invite him to insist on decisions, on background memos, and things like that [prepared] for the subcommittee. So, we tried to hint at it indirectly by saying in the December 24 letter to Mr. Gonzalez that the subject is under continuing review; but it was very indirect. That was our thinking when we drafted the original letter; it was not to tell him about the subcommittee.

VICE CHAIRMAN CORRIGAN. I agreed with that thinking at the time. But I guess now that I'm facing the question I wonder: Is that thinking, however right it was then, still right today?

MR. SYRON. I think Jerry has a point. If we respond collectively on the 15th--and if one were to assume for a moment that all our responses are not absolutely identical--he may well have called someone up to testify between the time he gets our responses and the time of the Humphrey-Hawkins [testimony]. It may not be likely, but anything is possible.

CHAIRMAN GREENSPAN. Well, you know there is an out for this sort of thing. I think we're all aware that the risk involved here is whether we have an objective evaluation of the Federal Reserve System, its structure, and its particular means of functioning. While each of us may have differing views with respect to how the System should function, I would venture to say that if any of us were called up there, we would not argue a position that would be detrimental to the System. In a sense I think if any of us goes up there we should try to represent the views not only of ourselves but of our colleagues.

And then, rather than divide and conquer--which I think is the basic purpose and which you're suggesting, Dick--

MR. SYRON. I think that is the purpose.

CHAIRMAN GREENSPAN. Of course it's the purpose. And, frankly, I don't think that serves the public interest. So I would suggest to you, should such a situation arise, that it is incumbent upon each of us to make certain that we don't allow ourselves to be divided [given that] our fundamental views of the nature of the System are as close to identical as one can imagine for a group as diverse as this group is. One need not worry about that issue if in fact we basically recognize what the purpose of such a divide and conquer procedure is. One could very readily work against it.

MR. SYRON. Thank you.

MR. KOHN. Having reviewed what was said at the meeting and received your comments on the letters, I guess I'd be surprised if a letter sent by any of you directly contradicted the letter that Chairman Greenspan sent. Governor Angell may be excepted here, but taking account of what was said at that FOMC meeting I'd say there may be nuances [in the views] about when a memorandum of discussion might be released, though I don't think anyone is going to have a view which is greatly at odds. There was remarkable consensus on the broad issues among members of the Committee, although there were some disagreements about whether a memorandum of discussion, for example, should ever be done. But I don't think anybody advocated releasing it very quickly, which is what he's advocating.

MR. ANGELL. And even I, Don, am much closer to the Committee than I am to Representative Gonzalez.

CHAIRMAN GREENSPAN. Any further questions or observations?

MR. SYRON. We need a new phone system!

CHAIRMAN GREENSPAN. What did you say? [Laughter] Thank you all very much.

END OF SESSION