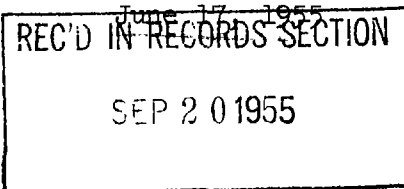


Confidential



IMPROVING COMMUNICATIONS BETWEEN THE
FEDERAL OPEN MARKET COMMITTEE AND THE
MANAGEMENT OF THE SYSTEM OPEN MARKET
ACCOUNT

A Memorandum Prepared for the Federal Open Market Committee
by the Federal Reserve Bank of New York

In a memorandum which we distributed to all of the members of the Board of Governors and to all of the Presidents of Federal Reserve Banks, under date of February 1, 1955, we outlined several ways in which we thought communication between the Federal Open Market Committee and the management of the System Open Market Account might be improved. Since then we have had helpful comments from some of the Presidents concerning this problem, and we have given it further study. Now we are prepared to put some of the suggestions into practice, unless the Committee has other views.

1. Weekly Open Market Letter and Other Regular Reports. The weekly letter is intended to provide a continuous, detailed record of the market developments and action taken, in confidential terms. It is distributed more widely than the reports to the Executive Committee or to the full Open Market Committee - both among staffs of the Board of Governors and the Federal Reserve Banks, and among other Government agencies. After review of the various purposes served uniquely by the weekly report, as well as the reporting function served by the reports prepared for meetings of the Executive Committee and the full Committee, we have concluded reluctantly that neither report should be eliminated, nor materially shortened in coverage.

Further improvement can be attempted, instead, through careful sub-division of the ground covered in each report, with headings describing the

FOR FILES
V. J. Ogilvie

various sections so as to permit quick reading for essentials, and to aid the reader in quickly locating aspects of particular interest to him. Although full and complete reporting requires long reports, we should be expected to provide these reports, in a form that is adapted to the varying needs of the different users of the reports. Further use of charts and tables, and of "highlight" paragraphs, may be desirable, but any doubts on matters of coverage should be resolved on the side of "putting it in" - with labels affixed that will permit readers readily to skip over segments in which they would have no interest.

2. The Daily Wires to the Presidents of the Federal Reserve Banks apparently meet a genuine need. Moreover, since a number of banks do not maintain a ticker service, there would seem to be good reason to add an additional paragraph from time to time on current market developments of immediate interest that might not otherwise come promptly to the attention of some of the Presidents. Perhaps more could also be said on the System Account's current operations, although several Presidents have noted the difficulty of preserving adequate confidential controls over wires which are so frequent, and which often contain no confidential information. We have begun to experiment with possible elaboration of the wire, and propose to continue along two lines. One way will be to add current information deemed to be of real interest and, in the closing wire, to comment at times on System operations in quite general terms. This will require careful handling of the wires but no severe limitation on distribution within the receiving Federal Reserve Banks. Second, in those cases where more detailed reporting of transactions on a given day, by wire, would seem to serve an immediate purpose, we can send special, confidential wires marked for the attention of the Presidents only.

3. Regular Morning Telephone Calls. The morning telephone calls continue to serve a useful purpose. In recognition of difficulties in assembling data for

a 10:45 call, the time of the telephone call has been changed to 11:00 a.m. Should it still prove impossible to assemble all of the relevant opening data in time for inclusion in the 11:00 o'clock call on a regular basis, consideration will be given to moving the starting time of the call a little later.

4. More Frequent Informal Reports. Several memoranda written for internal use at the time of the System's re-entry into the bankers' acceptance market have been distributed as a further step in informal reporting. In addition, the Research Department of the Federal Reserve Bank of New York has begun distributing to the Associate Economists of the Federal Open Market Committee the various rough memoranda prepared at two to four week intervals on Treasury prospects, projections of credit uses and supply, and summaries of all factors likely to be affecting bank reserves for some weeks ahead. These memoranda are to be distributed to all of the Associate Economists currently serving in that capacity, but mailing will continue only to those who request such materials after having observed an instalment of them. Economists at other banks who serve from time to time as associate economists on the Federal Open Market Committee would be welcome to these materials if they should wish to have them.

5. More Complete Oral Summary of Reports at Meetings of the Federal Open Market Committee and its Executive Committee. It is questionable whether the Manager or his assistant should attempt to duplicate in oral summary what is included in the written reports to the Federal Open Market Committee and its Executive Committee. It has been our observation that direct questioning by individual members of the Executive Committee or the full Committee, and proceeding along lines which they choose, may better supplement the written reports. Because it is difficult to anticipate the possible lines such questioning will take, however, a telephone call in advance would help in assuring preparation of an adequate response.

6. More Frequent Visits by Officers of the Securities Function of the Federal Reserve Bank of New York to the other Federal Reserve Banks. The Federal Reserve Bank of New York has had occasion, in responding to requests for speakers at seminars held by some of the Federal Reserve Banks, to send an officer of the Securities Function on visits somewhat more frequently over the past year than in previous years. Such visits have been made at the Federal Reserve Banks of Chicago, Richmond, Boston and Dallas, and at the Board of Governors - representing all requests that have been received. The opportunity to meet and visit with the officers and staff of other Federal Reserve Banks has proved useful to the Management of the System Account, but it is recognized that concentration of attention upon the seminar programs themselves has not permitted extensive or relaxed discussion of open market operations in the manner that might be desired by the officers of the other Federal Reserve Banks. We suggest that the initiative should lie with the other Federal Reserve Banks in suggesting either an extension of visits arranged in connection with seminar programs, or separate visits. The New York Bank will make every effort to meet such requests although the number of senior personnel is limited and the regular burden of duties is heavy, so that frequent absences would create difficulties.

7. Visits to the Trading Desk at the Federal Reserve Bank of New York. Several Reserve Bank Presidents and one Governor have visited the Trading Desk in recent months. In addition, some of the economists upon whom the Governors or Presidents rely for close, continuing surveillance of money market developments have visited the Desk for periods of as much as one week, and in some cases for repeated visits of a day or two at intervals. These visits have been valuable to the System Account management and the staff of the Trading Desk, both in focussing our attention on problems that have occurred to the visitors,

and in assisting the development of techniques for making somewhat clearer the actual processes under way at the Trading Desk, without impeding the customary transaction of business.

We repeat the suggestion that each member of the Executive Committee, and preferably each member of the Federal Open Market Committee, plan to visit the Trading Desk from time to time.