



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

CONFIDENTIAL (FR)

October 18, 1967

To: Federal Open Market Committee

From: Mr. Holland

Attached is a memorandum from the Secretariat entitled "Possible 1968 meeting schedules" and a related memorandum from the Committee's General Counsel entitled "Question regarding date of organization meeting."

A handwritten signature in cursive script, appearing to read "R. C. Holland".

Robert C. Holland, Secretary,
Federal Open Market Committee.

Attachments

REC'D IN RECORDS SECTION
NOV 24 1967
October 17, 1967

D R A F T

To: Federal Open Market Committee Subject: Possible 1968
From: The Secretariat meeting schedules

This memorandum has been prepared in accordance with the Committee's request at the meeting held on October 3, 1967, that in light of the discussion at that meeting the staff review further the matter of tentative Committee meeting dates in 1968. An accompanying memorandum from the Committee's General Counsel considers certain legal questions relating to the organization meeting date, and concludes that there are no statutory or regulatory provisions requiring that the organization meeting be held on the first Tuesday in March.

Before turning to possible alternatives to the tentative schedule that was distributed to the Committee on September 22, it might be helpful to list the various kinds of problems that were considered in preparing that schedule as well as certain additional considerations raised in the discussion on October 3 and subsequently.

In preparing the tentative schedule originally submitted, it was considered desirable:

1. To schedule the organization meeting on the first Tuesday in March. (In light of the conclusion of the General Counsel, this consideration might now be viewed as optional.)
2. To have inter-meeting intervals of 3 or 4 weeks. (It was suggested by some Presidents at the October 3 FOMC meeting that some 5 week intervals might be acceptable.)


MINUTES

OCT 18 1967

-2-

3. To have a 4-week interval follow any 3-week interval (i.e., to avoid consecutive 3-week intervals).

4. To avoid meetings on Election Day (November 5, 1968), on holidays, and in weeks in which Monday or the preceding Friday is a holiday.

5. To avoid conflicts with dates on which a meeting of the Federal Advisory Council with the Board was contemplated under the FAC by-laws (the third Tuesdays in February, May, September, and November).

6. To avoid conflict with the ABA convention (September 29-October 2, 1968).

7. To avoid meetings close to Christmas Day, and between Christmas and New Year's Day.

At the October 3 meeting the following additional considerations were suggested:

8. To hold at least the majority of meetings shortly after the middle of the month. It was noted that the bulk of the economic data for the preceding month would be available at that time, and that the Committee would tend to have a similar body of data before it at each meeting.

9. To minimize the number of meetings scheduled in the periods of major Treasury financings. Since only the regular refundings can be anticipated with assurance, this would suggest avoiding meetings, when possible, from the typical announcement dates around the 25th of January, April, July, and October to the payment dates on the fifteenth of the following months.

-3-

10. Subsequent to the October 3 discussion it was noted that the monthly BIS meetings at Basle are held on the second Monday of each month, and that FOMC meetings held on the second Tuesday involve difficulties for Committee members and staff attending the BIS meeting (Mr. Coombs, usually Mr. Hayes, occasionally others).

In the attached table, the dates of Tuesdays in 1968 are shown in the second column; the first column indicates the "problem dates" under the various considerations listed above (except item 8). The remaining columns of the table indicate alternative possible schedules, which are discussed separately below.

Schedule A. This is the tentative schedule that was proposed in the staff memorandum to the Committee of September 22. It calls for 14 meetings during the year (the same as in 1967), with three intervals of 3 weeks and the others of 4 weeks, and it meets all of the first seven considerations. However, under the additional considerations noted in the table, there are problems with the meetings listed for January 9, February 6, August 13, and September 10. Specifically, two of those meeting dates (in February and August) would occur during Treasury refundings, and three (all but February) would conflict with Monday BIS meetings. In addition, all four of those dates, as well as three others (March 5, April 2, and October 8), would fall in the early part of the month and thus fail to meet consideration 8.

Schedule B. This schedule was suggested by comments at the October 3 meeting. It calls for 12 meetings, on the third Tuesday of each month, with five 5-week intervals (including the one before the

-4-

January meeting) and the other intervals of 4 weeks. It involves conflicts with all four of the probable FAC meetings (in addition to a conflict, on October 15, with a Monday BIS meeting) and would be feasible only if the FAC were agreeable to amending its by-laws to specify meeting dates other than the third Tuesdays of selected months.

Schedule C. Governor Daane had suggested that this schedule might be worth consideration in the course of the preliminary Board discussion preceding the October 3 meeting of the Committee. It calls for 13 meetings, all at 4-week intervals except for one 5-week interval from July 23 to August 27. With one exception, the problem dates occur in the early part of the year. Thus, the first four meetings would be in the early part of the month; the January 9 meeting conflicts with a Monday BIS meeting; and the February 6 and April 30 meetings would occur during Treasury refundings. Subsequently, the only problem date is November 19, which conflicts with a probable FAC meeting.

The number of meetings and of 3- and 5-week intervals involved in the three schedules can be summarized as follows:

| <u>Schedule</u> | <u>No. of meetings</u> | <u>No. of 3-week intervals</u> | <u>No. of 5-week intervals</u> |
|-----------------|------------------------|--------------------------------|--------------------------------|
| A | 14 | 3 | 0 |
| B | 12 | 0 | 5 |
| C | 13 | 0 | 1 |

As nearly as the staff can weigh the balance of considerations expressed Schedule A is still the preferable alternative, primarily because of the disadvantages associated with a shift from 3- and 4-week intervals to 4- and 5-week intervals.

-5-

* * * * *

The following symbols are used in the first column of the attached table:

- BIS - the preceding day is the date of a BIS meeting
- TF - a Treasury refunding presumably will be in process
- FAC - probable meeting date of the Federal Advisory Council
- ABA - ABA convention will be in process

| Problem dates | Dates of Tuesdays | Alternative schedules | | |
|-------------------------|-------------------|-----------------------|---|---|
| | | A | B | C |
| Monday holiday | Jan. 2 | | | |
| BIS | 9 | X | | X |
| | 16 | | X | |
| | 23 | | | |
| TF | 30 | | | |
| TF | Feb. 6 | X | | X |
| TF; BIS | 13 | | | |
| FAC | 20 | | X | |
| | 27 | | | |
| | Mar. 5 | X | | X |
| BIS | 12 | | | |
| | 19 | | X | |
| | 26 | | | |
| | Apr. 2 | X | | X |
| BIS | 9 | | | |
| | 16 | | X | |
| | 23 | | | |
| TF | 30 | X | | X |
| TF | May 7 | | | |
| TF; BIS | 14 | | | |
| FAC | 21 | | X | |
| | 28 | X | | X |
| | June 4 | | | |
| BIS | 11 | | | |
| | 18 | X | X | |
| | 25 | | | X |
| | July 2 | | | |
| BIS | 9 | | | |
| | 16 | X | X | |
| | 23 | | | X |
| TF | 30 | | | |
| TF | Aug. 6 | | | |
| TF; BIS | 13 | X | | |
| | 20 | | X | |
| | 27 | | | X |
| Monday holiday | Sept. 3 | | | |
| BIS | 10 | X | | |
| FAC | 17 | | X | |
| | 24 | | | X |
| ABA | Oct. 1 | | | |
| | 8 | X | | |
| BIS | 15 | | X | |
| | 22 | | | X |
| TF | 29 | X | | |
| Election Day; TF | Nov. 5 | | | |
| Monday holiday; TF; BIS | 12 | | | |
| FAC | 19 | | X | X |
| | 26 | X | | |
| | Dec. 3 | | | |
| BIS | 10 | | | |
| | 17 | X | X | X |
| Holiday season | 24 | | | |
| Holiday season | 31 | | | |

REC'D IN RECORDS SECTION

CONFIDENTIAL (F.R.)

October 18, 1967. OCT 19 1967

To: Federal Open Market Committee Subject: Question regarding
From: Mr. Hackley, General Counsel date of organization meeting.

At the October 3, 1967, meeting of the Federal Open Market Committee, in connection with discussion of the tentative schedule of meetings during 1968, question was raised whether there is any statutory requirement for the holding of the annual organization meeting on or shortly after the first day of March of each year. Two related questions, though not specifically raised at the October 3 meeting, are (1) whether any legal problem (e.g., a hiatus in membership) results from the fact that newly-elected members and their alternates take their oaths of office at the organization meeting and, if so, whether new procedures might be developed to obviate the problem; and (2) whether the holding of the organization meeting during the latter part of March would affect the status of the Committee's officers and staff and of its continuing authority directives and economic policy directive.

In my opinion,

(1) there is no specific statutory or regulatory requirement that the organization meeting be held on or shortly after March 1 of each year, but it would seem desirable for practical reasons that such meeting be the first meeting after March 1 and that it be held reasonably soon after that date;

(2) no legal hiatus in the functioning of the Committee would result if newly-elected members and their alternates should take their oaths of office at an organization meeting in middle or late March, since their predecessors would continue to serve as members and alternates in the interim; and

(3) the officers and staff of the Committee would continue to serve as such until their successors are elected at the organization meeting, and directives previously adopted by the Committee would continue in force until replaced or changed at that meeting.

Date of Organization Meeting

Section 12A of the Federal Reserve Act (12 U.S.C. 263) provides that, "beginning with the election for the term commencing March 1, 1943," the representatives of the Reserve Banks shall be elected annually and that alternates to serve in their absence shall be elected annually in the same manner. The section further provides:

"The meetings of said Committee shall be held at Washington, District of Columbia, at least four times each year upon the call of the chairman of the Board of Governors of the Federal Reserve System or at the request of any three members of the Committee."

Federal Open Market Committee -2-

A distinction must be made between the date of commencement of the terms of elected members of the Committee and the date of the annual organization meeting. The law contemplates that representatives of the Reserve Banks and their alternates shall be elected annually for terms commencing March 1 of each year. There is no provision in the law, however, with respect to the holding of any "organization meeting" or the date of any such meeting. As far as the statute is concerned, the organization meeting could be held in November instead of in March. All that the law specifically requires is that the Committee shall meet at least four times each year or, in addition, at the request of any three members of the Committee.

The Committee's present Rules and Bylaws contemplate that the annual organization meeting shall be the first meeting after March 1. The Committee's Rules of Organization provide that the Committee selects a chairman and a vice chairman "at its first meeting on or after March 1 of each year." The Committee's Bylaws provide that each member representing the Federal Reserve Banks shall cause a record of his election and of the election of his alternate to be forwarded to the secretary of the Committee "prior to the first meeting of the Committee on or after March 1 of each year." The Bylaws further provide that, at the Committee's "first meeting on or after March 1 of each year", the Committee shall elect a chairman and a vice chairman and specified officers of the Committee "to serve until the first meeting on or after March 1 of the next year."

Under these provisions of the Rules and Bylaws, the organization meeting is not required to be held on the first Tuesday in March; it could be held later in March or even in April, as long as it is the first meeting after March 1.

Notwithstanding the absence of any reference in the law to the date of the organization meeting and despite the fact that the Rules and Bylaws literally would permit the organization meeting to be held much later than the first of March, it seems obviously desirable as a practical matter for that meeting, at which officers are elected, to be the first meeting after March 1, when the terms of new members and alternates commence, and to be held reasonably soon after that date.

There may even be reasons for which it would be legally desirable that the organization meeting be held shortly after March 1. As hereafter indicated in this memorandum, new members and their alternates do not become eligible to serve until they qualify by taking their oaths of office, and under present procedures they take their oaths at the organization meeting. Until that time the members and alternates elected for the previous term continue to serve. Consequently, if it should become necessary to act on a major question of policy that might arise between the first of March and the date of the organization meeting, it would be the incumbents who would vote on the question instead of the new members elected for the term commencing March 1; and this might be a significant consideration if the economic policy views of the new members should be

Federal Open Market Committee - 3-

sharply contrary to those of the incumbents. Such a situation conceivably could be regarded as inconsistent with the intent of the law, particularly if the organization meeting should not be held until several weeks after the first of March.

It is unlikely that such a situation would occur very often. However, to avoid any problem, it would be possible for the Committee to consider a change in procedures under which newly-elected members and their alternates might take their oaths of office prior to March 1 of each year, perhaps at the meeting in February, so that they could enter upon their duties as members of the Committee immediately as of the first of March.

Qualifications of New Members and Alternates

Although the law provides that the terms of elected members of the Committee and their alternates shall commence on March 1 of each year, an elected member or his alternate is not qualified to serve as a member of the Committee until he takes his oath of office. This is in accordance with the general rule that an appointed or elected public officer does not become entitled to exercise the functions of his office until he has "qualified" (67 C.J.S. section 37); and one of the usual necessary formalities for qualification is the taking of the official oath. Members of the Open Market Committee, as public officers of the United States, are required by section 1757 of the U. S. Revised Statutes (5 U.S.C. 16) to take the oath of office prescribed by Article VI of the Constitution of the United States.

However, until a newly-elected member of the Committee or his alternate takes his oath of office, his predecessor continues to serve in that office. Although there is a minority view, the generally-accepted legal principle is as follows:

"As a general rule, in the absence of a constitution or statute providing otherwise, an officer is entitled to hold his office until his successor is appointed or elected and has qualified."
67 C.J.S. section 48 (Emphasis added.)

Since there is no constitutional or statutory provision to the contrary in this instance, the elected members and alternates of the outgoing Committee would continue to be members of the Committee and eligible to vote on any matter that might arise between March 1, the date of the expiration of their terms, and the date of the organization meeting later in March, at which new members and alternates would take their oaths of office. It is my opinion, therefore, that there would never be a time interval during which the Committee would cease to exist or be unable to function, since the incumbent members would continue to hold office until the new members qualified. However, as previously indicated, the resulting situation would not seem desirable as a practical matter, and might even be regarded as inconsistent with the intent of the law if the organization meeting is held later than a few days after March 1 and if new members and alternates do not take their oaths of office until that meeting.

Federal Open Market Committee

-4-

Status of Officers and Directives

With respect to the question of the status of the officers and staff of the outgoing Committee in the event that the organization meeting is held in late March, Article II, sections 1-4, of the Committee's Bylaws provides that the officers of the Committee (including the chairman and vice chairman) shall serve until the first meeting on or after March 1 of the next year. Therefore, the officers continue in office until their successors have been elected by the new Committee at its organization meeting, whenever held. The Manager of the System Open Market Account and the Special Manager for Foreign Currency Operations, pursuant to section 5 of the Bylaws, serve at the pleasure of the Committee and, accordingly, they would be eligible to continue in office unless and until the new Committee should select other managers.

Although there is no legal problem involved in having these officers carry out their functions until the new Committee elects new officers, it might be anomalous to have Reserve Bank personnel (e.g., associate economists) serving on the Committee if their presidents are no longer members of the Committee. This, however, is not considered to be a particularly important consideration.

The Committee's directives and policy statements would continue in full force and effect between March 1 and the date of the organization meeting, since they are the result of action of the Committee itself, as a legally constituted body, and not of the individual members.