

For release on delivery

Statement by

Arthur F. Burns

Chairman, Board of Governors of the Federal Reserve System

before the

Subcommittee on Domestic Monetary Policy

Committee on Banking, Finance and Urban Affairs

House of Representatives

November 17, 1977

I am pleased to present the views of the Federal Reserve System on H. R. 9465 and H. R. 9589. The first of these bills would require the Federal Open Market Committee to maintain detailed minutes of its meetings and to release those minutes to the public three years after each meeting. The second bill would require that verbatim transcripts be kept of all meetings of the boards of directors of the twelve Federal Reserve Banks. It provides further that the transcripts are to be submitted to the "appropriate committees of the Congress" without deletion, and to the general public with certain permitted deletions, one year after the date of each such meeting.

Before presenting our specific views on these two proposals, I want to comment on the ongoing trend toward public disclosure. Nowadays, there appears to be great currency to the notion that public confidence in our government will be enhanced, and the quality of decision-making may itself be improved, by exposing to public scrutiny nearly every detail of the governmental decision-making process. We do not share this view.

There is, of course, some value in allowing the public to witness agency proceedings at first hand. To the extent that

the public's unfamiliarity with the workings of government fosters distrust, certainly we should all make an effort to help educate the public and to dispel the fear that actions taken in informal or executive sessions may somehow be tainted. But in our zeal to achieve this result through sweeping disclosure, we run a grave risk of sacrificing other important values. Insufficient attention is being paid to the legitimate needs of government officials to deliberate on complex and sensitive matters of public importance without the constraints and inhibitions caused by subjecting every phase of the deliberative process to public observation. As a result, we are in danger of losing one of the most prized values of a collegial body -- namely, the opportunity to discuss and debate, to exchange views, to explore ideas, to persuade and argue and cajole and chide, without having to weigh the impact of every spoken word on the Congress or the general public.

H.R. 9589 would require verbatim transcription of all meetings of Reserve Bank boards of directors. In so doing, it would impose disabilities on bodies that at present are able

to deliberate and discuss their important duties without inhibition. Indeed, this bill would require far more extensive disclosure by the Reserve Banks than present law requires of the Board of Governors or, as far as I know, of any Federal agency or instrumentality. No demonstration has been made that either the Congress or the public has any need for legislation of such sweeping scope. Neither I nor my colleagues can find benefits to the public in such a measure that would even remotely offset its destructive effects on full and frank discussion.

Our objections to this proposal were set forth in detail in a letter that came before your parent committee in July of this year, when the same proposal was offered as an amendment to H.R. 8094, the Federal Reserve Reform Act. I respectfully request, Mr. Chairman, that the entire text of that letter be received as an appendix to this statement.

Let me now summarize the principal points made in the July letter: First, H.R. 9589 contemplates the regular distribution of the entire transcript of Reserve Bank board meetings to dozens of members of Congress and their staffs. This would be followed by deliberation and voting on the public release of previously withheld portions of the transcripts. Under such procedures, there clearly would be a serious risk of unauthorized

duplicated by the banks, and then the members and staffs of various committees of the Congress would have to screen the transcripts again in order to determine whether additional material should be released.

Finally, and most important of all, a transcript requirement would have a stifling effect upon deliberations among Reserve Bank directors and upon the flow of information within the Federal Reserve System. Our directors are frequently a valuable source of important information about current economic and financial conditions in their own businesses and communities. Furthermore, many of them are skilled and experienced managers, and their frank assessments of Reserve Bank procedures and personnel, as well as their recommendations for improvement, have made a great contribution to the Federal Reserve System. To require these men and women to speak for a public record when acting as Reserve Bank directors -- a burden they do not have in their own board rooms and businesses -- will tend to discourage free discussion and in the long run will impair the Federal Reserve's ability to attract outstanding individuals to serve as directors. As a consequence, the efficiency of Reserve Banks and the quality

of their services to commercial banks and the general public would probably deteriorate.

As members of this Subcommittee know, the Federal Reserve has tried to be constructively responsive to recent requests for information about board meetings of the Federal Reserve Banks. This information was originally sought to determine whether the Federal Reserve is controlled by corporate and banking groups through their representation on Federal Reserve Bank directorates. To deal with this question, we turned over to your parent committee last December a tremendous volume of Reserve Bank board minutes. Significantly, no evidence whatsoever was brought forth from examination of the minutes to support the claim originally advanced as the reason for a need to examine the minutes. Instead, various unrelated charges were made against the Federal Reserve System -- based upon information selectively culled from the minutes we had forwarded.

We have carefully reviewed the excerpts cited as support for these new claims, and I want to state categorically that the minutes do not justify any of the assertions of impropriety that have been made. The minutes do not establish unlawful or improper "lobbying"; they do not disclose Federal Reserve

encouragement of credit allocation; they do not support the cruel attack made on the integrity of one of our most distinguished Reserve Bank directors; and they do not reveal misuses of Reserve Bank funds for gifts or loans.

Over the years, the Federal Reserve has furnished the Congress with a vast amount of information about the operations of the Federal Reserve System, and we will continue to do so in the future. We feel sure, however, that the legitimate needs of the Congress for information to perform its oversight responsibilities can be met in a far more constructive manner than that proposed by this bill, and we urge you not to approve this proposal.

Let me now turn to H. R. 9465, which would require the Federal Open Market Committee to maintain detailed minutes and to release them to the public after three years. This bill is clearly motivated by a concern for the interests of scholars and others who may have occasion to do historical research in the area of monetary policy. This is a concern with which many of us have great sympathy. Even though there is substantial expense involved in maintaining such minutes, and the potential audience appears very small, a

detailed record of proceedings could on balance be useful, provided important needs of the FOMC were accommodated. Some background is necessary to put this proposal in perspective.

For many years the FOMC kept very lengthy minutes -- referred to as "memoranda of discussion" -- of each of its meetings. These memoranda, which often ran as much as 100 pages in length, set forth in detail the views expressed by each member of the FOMC at each meeting, attributing those views to the member by name. The memoranda of discussion of the FOMC meetings held in any one year were released to the general public five years after the end of that year. In the FOMC's judgment, this policy of delayed release gave strong assurance that the disclosure of the memoranda would not affect security markets and that it would not impair the willingness of its members to speak freely about sensitive matters of current concern.

Last year the FOMC re-examined the practice of keeping these very detailed minutes of its meetings, and at the same time reviewed its practice of releasing 45 days after each monthly meeting the much shorter record of policy actions -- a record that reflects the Committee's

discussion of the economic outlook and its deliberations on open market policy. After much thought, the Committee decided to reduce from 45 days to about 30 days the time for release of the record of policy actions and to include in that record an expanded and more systematic account of the views expressed by its members. The new policy record does not attribute individual opinions to Committee members by name; but the record always reports the votes of the members by name and their accountability is thus preserved. In connection with this new practice, the Committee decided to discontinue the detailed memoranda of discussion, recognizing the much more limited audience for this document.

While the FOMC's new procedure affords the public much more information on a current basis about policy actions than under prior practice, it admittedly does not preserve a historical record as detailed as that contained in the earlier memoranda of discussion. H. R. 9465 would propose to remedy this by requiring, in effect, a return to the earlier practice. In addition, it would require that the minutes be made public three years after each meeting.

As I have indicated, we are sympathetic to the concerns that underlie this proposal, and we are reluctant to oppose it. However, we believe there are three shortcomings in the bill as it is presently drafted. First, no provision is made for exclusion of material that may be embarrassing to foreign governments or institutions. Second, three years is not a sufficiently long period to avoid the inhibiting effects that may derive from the anticipated release of the views expressed at FOMC meetings. If this proposal were to be adopted, we would strongly prefer a return to the prior practice of releasing the memoranda with a five-year lag. Third, and most important, the bill does not address the possibility that the FOMC might be compelled under the Freedom of Information Act to make public all or significant portions of the memoranda more promptly than the specified period, whether it be three or five years. In the absence of express statutory protection against premature disclosure of the memoranda, we would feel compelled to object to a proposal for returning to the practice of keeping extensively detailed minutes of FOMC meetings.

In closing, let me again assure the Committee that we will cooperate fully with any reasonable requests for information necessary to enable this or any other Committee of the Congress to perform its responsibilities. However, since our day-to-day work, and that of the twelve Federal Reserve Banks, involves us in matters of the greatest sensitivity, we urge this Committee not to approve any additional proposal for public disclosure in the absence of a strong showing of public benefit.

* * * * *