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Statement

by

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Member

Board of Governors of the Federal Reserve System

Before

The Committee on Banking, Finance and Urban Affairs

U.S. House of Representatives

Washington, D.C.

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Thank you for an opportunity to present my views on HR 28, the "Federal Reserve System Accountability Act of 1993". Pursuant to the request in the Chairman's letter of invitation, I shall first answer, in order, the three specific questions posed therein and then offer my perspectives on the bill in the area of maintaining a record of the Federal Open Market Committee (FOMC) meetings.

Question 1: I have generated rough pencil notes of my own thoughts, and summaries of the views of other members as I understood them, at most meetings. These notes reside in a locked file in my office.

Question 2: I would assume that various persons present at the meetings prepare and keep notes and records of their own, including the FOMC secretariat, but I am unaware of specifically who does what in this regard. Doubtless others will report on their own activities.

Question 3: I have no information whatsoever about unauthorized or premature release of FOMC information.

Let me move on to comment on HR 28 which would require, among other things, complete release of FOMC meeting proceedings within sixty days. I must oppose this proposal.

It seems to me that the issue here is the reconciliation of two basic principles for conducting public business in a democracy. The first is the obvious requirement that public policy be generated to further the public interest in the soundest possible way. The second is that the public has the right to know what its leaders are doing in the conduct of its business, including how and why they are doing it. While these two principles can often be fully accommodated, there are clearly cases wherein the second, fully implemented, can potentially degrade the first. In such cases, the overriding requirement is that public policy must be of the highest possible quality.

The meetings of the FOMC are such a case. In these meetings twelve voting members augmented by the seven additional Reserve Bank Presidents debate and decide important public matters of monetary policy. To work well such an arrangement must proceed in private, where the participants may freely and easily exchange perspectives and confidential information, dispute, alter viewpoints, and work toward discovery of common ground. In this manner, responsible public policy is created. To expose this process to public scrutiny would, in my view, very clearly introduce

an atmosphere that would be detrimental to the final result. The quality of the final result, sound monetary policy to undergird and support our economy, is the most important of the interests in question. I believe HR 28 would be counterproductive in this respect.

The requirement remains that the public be as informed as possible in these matters and that those involved in the process be accountable. I believe that the existing procedures for release of FOMC decisions are responsive to the public's right to be informed. Concerning accountability, FOMC decisions are the result of the votes of the participating members and each participant's vote is recorded and made public. Affirmative votes are explained in the minutes as released, and dissenting votes are accompanied by individual explanations. Thus, there is complete accountability for results.

In summary, I feel that the public's interest in this matter is best served by maintaining a system wherein the process is confidential and the policy results are made public in appropriate ways, with personal and group accountability for such results.