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Testimony by

Susan M. Phillips

Member, Board of Governors of the Federal Reserve System

before the

Committee on Banking, Finance and Urban Affairs

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I am pleased to have the opportunity to appear before this Committee to present my views on the reporting of Federal Open Market Committee actions, with specific reference to sections of HR 28, "Federal Reserve System Accountability Act of 1993" that focus on maintaining a record of the FOMC meetings. I am the newest member of the Board of Governors and am therefore also a voting member of the FOMC.

Since joining the Federal Reserve Board, I have been deeply impressed by the care and attention given throughout the System to the incorporation of a broad range of viewpoints in the development and conduct of monetary policy. This information gathering or economic monitoring is done through a variety of means -- advisory and consultative committees to the Board and individual Reserve Banks, studies requiring specialized surveys or data gathering, financial reports submitted to the Board as part of the regulatory oversight process, Reserve Bank reports and the various analyses and studies undertaken as background for the Beige Book and staff FOMC documents. The cooperation received by the Federal Reserve System in this enormous task of economic monitoring is no doubt attributable to the serious manner, and in some cases the confidentiality, in which business and economic information is treated by the Board and the Reserve Banks. This cooperation demonstrates considerable confidence in the FOMC's processes and is likely bolstered by the unique quasi-public organizational structure of the Federal Reserve System, carefully crafted

by the Congress to contain an inherent number of checks and balances, with the private sector an integral part of the System.

The manner in which the Board and the FOMC communicate with the markets and the public is crucial not only to maintain trust and confidence in the national's central bank but also to assist members of the FOMC in gathering sufficient information to assess the various trends in both the real and financial sectors of the economy. The ability to receive and relay to the FOMC confidential financial information is vital to a full understanding of the complex U.S. economy. I believe that releasing a literal transcription or videotape of the meetings would seriously inhibit members' abilities to obtain and relate such information because of its potential market sensitivity.

A videotape or transcript also could have other harmful effects on the nature of discussions at FOMC meetings. The structure of those meetings allows all Board members and Bank presidents an opportunity to present their views. These voting and non-voting members come from very diverse backgrounds, representing different parts of the country, and varying perspectives on the macroeconomy and the operation of monetary policy. The process of explaining different viewpoints and reconciling them requires significant explanations and considerable give and take. Efforts are made by members to compare and contrast their particular regional or economic observations with those of other members, rendering the use of complete prepared statements extremely difficult. If a literal transcript or videotape of FOMC meetings

were to be released, I believe many members would feel constrained to speak only from prepared statements, thereby losing the analytical approach now used in building upon each other's observations in a truly deliberative process. Moreover, there would be reduced capability to reach a consensus, since members' initial statements may limit their flexibility to adjust their positions. The current approach to constructing and releasing the minutes, which allows complete recordation of the subjects discussed and views presented without specific attribution, contributes to this analytical deliberative process. All members have an opportunity to edit the minutes before the next meeting.

I review the draft to assure that my own views are adequately reflected in the minutes, and make editorial suggestions as appropriate. To assist in this process, I take sporadic personal notes during some parts of the FOMC meetings to remind myself of, for example, economic conditions noted by other members and my own positions on various issues. Those handwritten notes are retained in my personal confidential files, shared with no one. I presume other members will comment on their own or their staff's notes.

The preparation, circulation and editing of the minutes takes some time, but in any case is complete before the next meeting. I know of no one who shares this information with members of the public or the press prior to its official release.

Earlier release of the minutes, or very rapid release of the Committee's decisions and directives, would curtail the flexibility of the Committee's decisions. Those directives frequently contain

or reference longer-run strategies the Committee wishes to adopt, though the precise form those strategies would take depends on subsequent economic developments. No major market participant can announce its future strategy without having an impact on the market itself. Such announcements would be self defeating and limit the Federal Reserve's flexibilities and ability to affect the market when it wishes to do so.

I hope these comments are helpful to the Committee in its deliberations. I would be pleased to respond to additional questions.