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Statement by
Frederick H. Schultz, Vice Chairman
Board of Governors of the Federal Reserve System
before the
Domestic Monetary Policy Subcommittee
of the
Committee on Banking, Finance and Urban Affairs
House of Representatives
September 29, 1981

I am pleased to appear before this subcommittee on behalf of the Board of Governors to testify on proposed legislation dealing with the public release of Federal Open Market Committee (FOMC) minutes on a deferred basis. The bill that has been introduced, H.R. 4478, would amend the Federal Reserve Act to require that detailed minutes be kept of FOMC meetings and that views expressed at such meetings by any member of the Committee be attributed to such member.

The Board sympathizes with the concerns that underlie this proposal and has no objection to publication of such minutes in accordance with the provisions of H.R. 4478. The proposed legislation makes clear that no portion of the minutes may legally be released prior to a specified minimum period of approximately four years after the calendar year in which the meeting occurred and that references to sensitive international financial developments can be screened by the FOMC and withheld for additional periods, if that is deemed advisable in the national interest.

The public already receives very current information on the eight to ten regularly scheduled FOMC meetings held each year through a policy record of each meeting, which is published a few days after the next meeting. This policy record summarizes the economic information available to Committee members, the policy discussion, and the factors influencing the views of members. The votes of all FOMC members are recorded. Information on current monetary policy is also provided to the Congress through the Board's semi-annual reports under the Humphrey-Hawkins Act and through the Chairman's frequent testimony before Congressional committees.

In early 1976, the FOMC discontinued its longstanding practice of having its staff prepare detailed accounts for each meeting. Such reports--referred to as memoranda of discussion--were originally intended solely as internal working documents, but during 1964 a decision was reached to make them available to the public after a five-year lag. Over the years there had been little demand for access to the memoranda of discussion by scholars, the press, or others. Therefore, the FOMC questioned the desirability of continuing to incur the high costs of preparing this document. A growing concern that early, and possibly immediate, disclosure of the memoranda of discussion would be required was another consideration underlying the FOMC decision to discontinue the document in early 1976. At the same time, the FOMC recognized its obligation to provide thorough and timely information on its decisions and on the views presented by members in the course of the policy discussion. Thus, at the time the memorandum of discussion was discontinued, the policy record prepared for each meeting was expanded to include the substance of the Committee's discussion of monetary policy. As I noted earlier, this expanded policy record is published a few days after the next meeting, and it provides the public with more timely information than had been available previously.

Detailed and lengthy minutes of FOMC meetings would not add greatly to the substantive information currently available to the public. However, such minutes would identify the views expressed by individual members of the Committee; and at times, they would include highly sensitive information, especially in connection with international financial transactions and

issues. The Board feels strongly that it is vital for legislation requiring the maintenance and eventual public release of a detailed record of FOMC meetings to contain safeguards against premature disclosure of such sensitive matters. The dangers of premature disclosure include an inhibiting effect on the frank exchange of views during policy debates and a potential for politicizing the decision-making process. In the international financial area, moreover, premature release of information on ongoing negotiations and on the views and operations of foreign governments could have an immediately adverse impact on foreign exchange markets and on the future ability of the Federal Reserve to implement its international financial responsibilities.

The law should provide that no detailed minutes are to be released by the Federal Reserve before the expiration of a period no shorter than the one specified in H.R. 4478. Essential also is the proposed legislation's provision of authority to protect information relating to international financial matters for longer periods if the FOMC judged such a course to be in the national interest. With respect to the form of the detailed minutes, it is the Board's view that the language of the proposed legislation provides sufficient flexibility to permit the development of a record that would preserve the full substance and flavor of FOMC deliberations on monetary policy while holding down the heavy costs of preparing the record.

This concludes my testimony, Mr. Chairman, and I will be happy to respond to any questions that you or the other subcommittee members may have.