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Statement by

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before the

Committee on Banking, Finance and Urban Affairs

United States House of Representatives

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I am pleased to appear before the Committee today to testify on Section 4 of the Federal Reserve System Accountability Act of 1993, entitled "Prompt Public Disclosure of Open Market Committee Meetings." As a creation of Congress, the Federal Reserve System is fully accountable to the public for its monetary policy actions. One way the Federal Reserve ensures this accountability is by releasing information about its policy decisions. The Federal Open Market Committee (FOMC) provides a full accounting of its actions in its "Minutes of the Federal Open Market Committee" (Minutes).

The Minutes contain all important information about FOMC decisions, including the policy directive agreed upon by the majority and the reasons underlying policy decisions. Any significant differences among those voting with the majority, as well as the views of any dissenting members, are included in the document. The Minutes are released upon their approval by Committee members at the next FOMC meeting. The public record thus contains the outcome of FOMC deliberations and the policy views of each member of the committee.

I am not in favor of producing a further detailed account of FOMC deliberations, either in the form of an edited transcript, such as the "memorandum of discussion," verbatim minutes, or an audio or videotape. Such a release would impede the deliberative process and thereby impair policymaking. Arriving at appropriate policy often involves considerable give and take, consensus-building and debate of alternative actions. Because of the possibility that a particular statement might be misunderstood or taken out of context, FOMC members would be reticent to engage in the kind of open discussion that leads to good policymaking if they knew that all of their statements would be in the public record. Furthermore, the release of verbatim minutes or any other detailed record of deliberations would discourage other parties from supplying the FOMC with confidential information that is useful in determining appropriate policy.

Turning to the timing of the release of the FOMC policy directive, I believe that immediate release of the outcome of FOMC deliberations would interfere with the deliberative process and would lessen the flexibility with which the Federal Reserve can respond to changing economic conditions. If directives were released immediately, the FOMC might be reluctant, even if economic conditions warranted, to take a timely subsequent action because of concern that such action would add to the uncertainty in financial markets. In addition, the FOMC would be less inclined to bias its directives toward ease or restraint, in effect limiting its policy options. Consequently, reaching a consensus among FOMC members would be difficult, which might delay policy actions and add uncertainty to financial markets.

Finally, let me turn to the specific questions that I was asked to address in my statement.

- In response to your inquiry about my own notes or records, I usually take some notes at FOMC meetings for my personal use. They are not typed, copied or shared with anyone else and are maintained in a locked file cabinet in my office.
- Your second question concerns my knowledge of notes or records that others have made at FOMC meetings. Though others who attend FOMC meetings sometimes appear to take notes, I am unaware of their content, disposition or location.
- In response to your third query, I have no knowledge about the release of information on FOMC meetings prior to its official release by the Federal Reserve.

To sum up, the Federal Open Market Committee is committed to informing the public of its policies, which ultimately must be judged by their results. The "Minutes of the Federal Open Market Committee" convey fully the relevant information about FOMC decisions and do so in a timely way. Thus, in my view, there is little to be gained by providing detailed minutes or mechanical reproduction of FOMC deliberations, while the adverse

consequences of doing so are potentially very great. In addition, the benefits of immediate release of the policy directive would not seem to outweigh the potential costs of doing so. By inhibiting the frank exchange of views and possibly reducing the willingness of the FOMC to take timely actions, public release of the details of committee deliberations or immediate release of the policy directive could harm the policymaking process. Though intending to increase the accountability of FOMC members, the proposed changes specified in HR 28 may thus impede monetary policy performance.

Thank you.