



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

April 2, 1981

TO: Federal Open Market Committee

FROM: Murray Altmann *M. Altmann*

Attached is a memorandum from President Solomon in which he proposes certain changes in the Managers' reports on domestic open market operations and on foreign currency operations.

Please advise me of your views concerning the proposals by April 15, 1981. If there are no objections, or if any suggested modifications can be readily accommodated within the general framework of the proposal, it is planned to introduce the new format prior to the meeting of the Committee scheduled for May 19.

Attachment

March 25, 1981

TO: Federal Open Market Committee
SUBJECT: Proposed Reductions in Managers' Reports
FROM: Anthony M. Solomon *AMS*

In response to a suggestion made by Chairman Volcker, I recommend that the written weekly reports by the Managers to the Federal Open Market Committee on domestic and foreign open market operations (one report on each) be shortened, and that the reports covering the full intermeeting period be replaced by a brief summary attached to the final weekly report of the period. As Chairman Volcker noted, there seems to be considerable duplication in the material provided in the weekly and intermeeting reports. After reviewing the material going into these reports and the purpose they serve, I recommend that the weekly reports be retained, but shortened--with flexibility for the Managers to make appropriate modifications to serve their respective needs better. The reports covering the intermeeting period could be replaced by perhaps a page or two of concise text and a few tables and charts to be included in the final weekly report sent out shortly before the Committee meetings. The supplementary reports, now covering developments in the few days after the period covered by the intermeeting report, up to the day of the meeting, could be replaced with a one page table summarizing any additional operations on those days. The changes would eliminate essentially duplicative reports, thus saving staff preparation time and the time of recipients of the reports.

Appended herewith is background material provided by the two Managers on their respective reports.

DOMESTIC. Weekly reports on domestic open market operations have been prepared by the Federal Reserve Bank of New York going back to 1922. While the format has evolved over the years, these reports have provided a comprehensive and detailed record of Desk operations and market developments that is a valuable historical resource. We believe they have been useful to recipients in the Federal Reserve System and Treasury as a thorough record of market developments and the background of particular Desk operations. The reports are also valuable to the Desk, not only for the record they provide but in addition for the training and experience gained in their preparation. Recent copies of the weekly report have included about 17 pages of text and tables integral to the text discussion, and about 30 pages of appendix materials providing additional details on operations and market conditions. We believe these reports can usefully be condensed considerably, while still preserving their function as significant historical records. In fact, efforts are already under way to trim back these reports, both in the text and appendix materials.

There is also a lengthy history of reports covering somewhat longer time spans, prepared in recent years prior to each meeting of the Federal Open Market Committee. In the 1920's, 1930's and 1940's the intervals were usually quarterly. Starting in 1950, these reports were done every three weeks, geared to Federal Open Market Committee meetings at similar intervals. When the Federal Open Market Committee switched to monthly meetings in 1972, and later to somewhat less frequent meetings, the

reports were similarly spaced. These reports have provided a broader view of events than the weekly write-ups, focussing on highlights of the period deemed to be of significance in reviewing the implementation of policy between meeting dates of the Committee. Recent intermeeting reports have had about 20 pages of text and integrally related tables and charts, and about 7 additional pages of tables, charts and statements of Committee authorizations. The Desk has also prepared a brief supplementary report--usually two pages of text and two tables--to cover developments in the few days following the period covered by the intermeeting report through the day before the Committee meeting.

While the intermeeting reports cover a longer sweep of events and seek to provide more perspective than is possible in the weekly reports, there is inevitably a good deal of duplication in the two. Major developments are likely to be covered in almost as much detail in the intermeeting as in the weekly reports. A portion of the tabular and chart material is also duplicative.

To cut duplication and employ staff resources more productively, while saving the time of recipients, the Domestic Desk proposes to replace the present intermeeting report with a page or two of concise text and a few tables and charts that would be incorporated into the final weekly report prepared during the intermeeting period. As the Committee is expected to vote on whether it approves Desk operations since the last meeting, it seems appropriate to provide a compact summation of those operations, and related developments, for the Committee's consideration, rather than eliminate the report entirely. The supplementary report, already quite brief, could be reduced still further to a one-page table indicating additional operations, if any, since the period covered by the intermeeting summary.

FOREIGN. The weekly report on operations in foreign currencies for System open market account and Treasury account has been prepared by the Federal Reserve Bank of New York since March 1962. These reports constitute a comprehensive and detailed historical record of Foreign desk operations and market developments which has repeatedly proven to be an invaluable resource to the System, the Treasury and this Bank. Recently the report has averaged about ten pages of text and eleven pages of tables.

Intermeeting reports have been prepared since September 1961, and provide a somewhat broader perspective than do the weekly reports. Especially with the lengthening of intermeeting intervals in recent years, these reports can isolate the most significant factors affecting the dollar and nine other major currencies over time, mention policy problems faced by the authorities abroad, and describe the main relevant money market developments. These reports are heavily used by this Bank as a basis for our semi-annual reports that are published and sent to Congress. The intermeeting reports average about fifteen pages of text and ten pages of tables.

The combination of the two sets of reports has placed a great weight upon our human resources over the years. For some time we have felt that much of the reporting materials sent to the Federal Open Market Committee was not being used by Federal Open Market Committee members themselves or their staff sufficiently to justify the efforts put into the drafting and editorial process. At the same time, we have not wanted to skimp on our responsibility to provide as complete a record as possible to the Federal Open Market Committee, particularly on our operations.

To the extent that the Federal Open Market Committee members are now prepared to cut down on the flow of material to them, we therefore welcome the chance to make judicious cuts in what we send out.

In order to reduce the volume of reports, we propose to modify both the weekly and intermeeting reports. The major change would be to the intermeeting report, which we propose be restructured as a short text of at most two pages which would highlight economic and policy developments here and abroad relevant to the dollar and other currencies, focused tightly around the Trading Desk's operations in foreign exchange. This text would be supplemented by carefully constructed charts to show the movement of the dollar against major currencies over the period, and tables which summarized the operations of the Federal Reserve Bank and the Treasury in the foreign exchange market. This document could be attached to the final weekly report prior to each FOMC.

Desk operations are described in greater detail in the weekly than the intermeeting reports, and thus these should remain our principal historical record. But we also propose to modify the weekly report, partly to reduce the size of the weekly report itself, and partly to fill a portion of the gap created by changing the intermeeting report. These twin objectives could be attained by adopting a more flexible format and coverage in the weekly, including broader economic and policy developments bearing on individual currencies where appropriate, but sharply curtailing discussion of individual currencies when circumstances permit.