

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

DIVISION OF MONETARY AFFAIRS

Date: December 28, 1992
To: Federal Open Market Committee
From: Normand Bernard *NB.*
Subject: Chairman Greenspan's response to Mr. Gonzalez

For your information, there is attached a copy of Chairman Greenspan's response to Mr. Gonzalez regarding his proposal for the early disclosure of a literal record of FOMC deliberations.



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

ALAN GREENSPAN
CHAIRMAN

December 24, 1992

The Honorable Henry B. Gonzalez
Chairman
Committee on Banking, Finance and
Urban Affairs
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

My letter to you of October 22 noted that I wanted to consult with my colleagues on the Federal Open Market Committee before replying to your questions and suggestions to me and to the Reserve Bank presidents concerning how proceedings at Federal Open Market Committee meetings are reported to the public.

Our discussions revealed broad agreement on the issues raised by your letters. We believe these issues should be considered against the background of three important observations. First, in a democratic society such as ours, a public body like the Federal Reserve must operate under a presumption of full release of information, unless there is a compelling reason not to do so. Second, the FOMC already makes available a good deal of information about its deliberations and votes in the "record of policy actions", which is released to the public shortly after the following meeting--a lag of about six or seven weeks. This document contains not only the directive, but also an extended summary of the Committee's discussion of economic developments and monetary policy, including the major points of agreement and disagreement among Committee members. Third, the overriding objective of the FOMC is to arrive at the best policy for our nation's economic welfare, and anything that might impair our ability to take actions to further progress toward this objective must be avoided.

Against this background, the members of the FOMC--Reserve Bank presidents and Board members alike--see serious drawbacks to releasing at any time a literal record of FOMC deliberations--through videotaping or other means such as word-for-word transcripts. They also perceive important disadvantages from publishing a nonliteral, but very detailed accounting of FOMC discussions, along the lines of the "memorandum of discussion" that was produced in earlier years, especially if such a record were released sooner than several years after the meetings had occurred. The major concern in assessing these proposals is their effect on the deliberative process--the free flow of information and ideas essential to policymaking. Members need to feel free to trade ideas, question assumptions, advance hypotheses, make projections, speculate on alternative policies and possible outcomes, and especially to change their views in response to the arguments of others. Discussions would be circumscribed and constrained

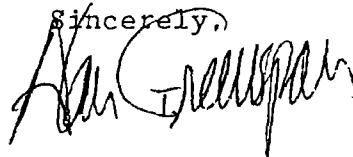
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by the prospect that the details of individual arguments would be published when the issues and positions still had the potential to influence markets. Moreover, in the course of their policy discussions, FOMC members use a wide array of information, some of it supplied on a confidential basis, for example by individual firms or foreign central banks. Uncertainty about whether such information could be kept confidential would reduce the willingness of outside sources to provide it to us and would inhibit members from sharing the information they are able to obtain. Members felt that making a tape or literal transcript public would have an especially restrictive effect in discussions; members would need to be even more circumspect since each statement would appear as uttered in the spontaneous interplay of discussion. Generally, publication of a literal record of Committee discussions or prompt release of detailed minutes would not engender a meeting environment conducive to a full airing of all sides of an issue and to bringing all available information to bear on decisionmaking.

With regard to accountability, members noted that the record of policy actions already gives a comprehensive summary of the main points made in the course of Committee discussions. This record is reviewed for accuracy by Committee members before it is released to the public. Affirmative votes are reported, and it is a reasonable presumption that those voting with the majority generally share the basic analysis in favor of that decision. To be sure, nuances may exist among members in the majority, but if they are important such nuances are reported in the policy record. Members who dissent file statements giving the major reasons for their votes. FOMC decisions are collaborative efforts, and the Committee is fully accountable for its actions. Those actions, their rationale, and their effects are reviewed regularly by the Congress when I report on behalf of the Federal Reserve.

You have raised issues important to the conduct of monetary policy and to the understanding of that policy by the public and its elected representatives. The Federal Reserve will continue to review these and other closely related issues.

Sincerely,

A handwritten signature in black ink, appearing to read "Alan Greenspan". The signature is written in a cursive, somewhat stylized script. The word "Sincerely," is printed above the signature.