

## APPENDIX



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

TO: Federal Open Market Committee      DATE: December 30, 1992

FROM: Normand Bernard

*N.B.*

Attached are copies of the response from Mr. Gonzalez to Chairman Greenspan's letter regarding detailed minutes and a related press release issued by the Congressman. Chairman Greenspan plans to discuss this matter in a telephone conference call during the first part of next week. A specific time for the call has not yet been set.

Attachments

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December 29, 1992

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CLO: #G-271  
CCS: #92-7631  
RECVD: 12/29/92

The Honorable Alan Greenspan  
Chairman  
The Board of Governors of the Federal Reserve System  
20th and Constitution Avenue, N.W.  
Washington, D.C. 20551

Dear Chairman Greenspan:

I am disappointed by your December 24, 1992 response to my October 8, 1992 request for "your views and those of the other members of the Board of Governors with regard to taking minutes at the Federal Open Market Committee (FOMC) meetings". I was also disappointed that this reply is being used to answer my 12 separate requests to each of the twelve Federal Reserve Bank presidents asking, "Do you have any reluctance to take personal responsibility for your actions at Federal Open Market Committee meetings by having your comments and votes recorded in minutes? Do you think such minutes of the FOMC should promptly be made public? Please explain?" I wanted individual replies stating individual views of these decision-makers who sit on the FOMC and manage the nation's money supply.

As you may recall, on May 18, 1976 the FOMC terminated taking detailed minutes of its meetings which it had called "Memoranda of Discussion". In an attempt to evade the Government in Sunshine Act the FOMC closed the curtain to accountability to the public for discussion at FOMC meetings. The Domestic Monetary Policy Subcommittee of the House Banking Committee solicited opinions on this FOMC action from 122 persons including Federal Reserve officials. Among those who replied 55 opposed the termination of minute taking, 15 were in favor, and 11 were undecided or had no comment.

Among the individuals who did not approve of the FOMC action to terminate minutes were six top-level officials of the Federal Reserve, four former members of the Board of Governors, and two former presidents of the Federal Reserve Bank of New York.

One letter was from Jerry Jordan, president of the Cleveland Federal Reserve Bank, who currently serves on the FOMC. Jerry Jordan of the Cleveland Federal Reserve Bank is a distinguished economist with a long history of service at the Federal Reserve, including serving as the head of research at the St. Louis Federal Reserve. In 1976 when he was vice president and chief economist of the Pittsburgh National Bank he wrote the following to the Banking Committee on October 21, 1977:

"As an economist in the Federal Reserve for over eight years, I found the 'memoranda of discussion' to be extremely useful. Even when I attended the FOMC meetings I always reviewed the memoranda of previous meetings in preparation for the next meetings.

"The President of the St. Louis Federal Reserve Bank was definitely influenced in a very positive way by the existence of a permanent record that would eventually be made public. It helped him and his staff to maintain intellectual honesty, sometimes in the face of great pressures to bend. He knew that even when his views fell on deaf ears in a meeting, consistent analysis of the problem and recommendations of solutions would be in the record to be viewed with historical perspective."

Former Federal Reserve Governor Sherman J. Maisel wrote in September 27, 1976:

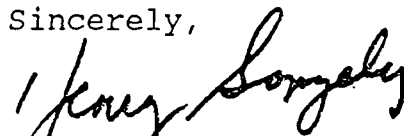
"The specific record is helpful in preparing for future meetings. If you know you will have a record to review before the next meeting, you can listen more completely to the debate and need not take complete notes on others' points of view. A review of others' opinions is most helpful in preparation for future meetings. Frequently I have found good points in the minutes I had missed in the debate."

These are compelling arguments in support of taking minutes. Taking minutes helps insure intellectual honesty. The record is not only essential for accountability, it is also vital to FOMC discussions which should be carefully recorded so that members will know exactly how the discussions have developed in the past. Running the FOMC without this careful record reduces the continuity of discussions and the efficiency with which monetary policy is formed. This decision-making process is too important to the country to be left to informal notes and the memories of the members.

I simply cannot believe the views of all seven members of the Board of Governors and the 12 regional Federal Reserve presidents are contained in the evasive answer you have sent. Do they each want to continue to remove their discussion at FOMC meetings from public accountability? What specific evidence do you or they have that the previous record of minutes up to 1976 produced harmful effects? I ask that you obtain the individual views of each of these 19 individuals on these matters.

Please supply me with this material by the close of business  
Friday, January 8, 1992.

Sincerely,

A handwritten signature in cursive script, appearing to read "Henry B. Gonzalez". The signature is written in dark ink and is positioned above the typed name.

Henry B. Gonzalez  
Chairman

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**FOR IMMEDIATE RELEASE**

**WASHINGTON, D.C., December 29, 1992 --** Chairman Henry B. Gonzalez of the House Banking Committee today criticized Federal Reserve Chairman Alan Greenspan for refusing to provide the public with the complete minutes of the Federal Open Market Committee (FOMC) meetings, "minutes which were routinely released by the Federal Reserve prior to May 1976 with no apparent ill effect."

Mr. Gonzalez also reiterated his request for individual responses from each of the 12 Federal Reserve Bank presidents as to their view on releasing a full public record of the FOMC meetings. Chairman Gonzalez had previously asked each of the 12 Bank presidents for their opinion and reiterated his request in an October 8 letter to Chairman Greenspan.

"I want to know whether all the Bank presidents concurred in Chairman Greenspan's decision, or whether some of them held differing opinions which they were afraid to express for fear of 'rocking the boat'," Mr. Gonzalez said.

"If the Federal Reserve is as democratic an organization as Chairman Greenspan claims in his December 24 letter to me, then the 12 Bank presidents should have nothing to worry about when it comes to stating their opinion on this issue," Chairman Gonzalez said.

"When in May 1976 the Federal Reserve terminated its policy of releasing detailed minutes of the FOMC meetings, a number of former and then current Federal Reserve officials wrote to the House Banking Committee to oppose the termination. This clearly indicates a diversity of opinion at the Federal Reserve," he said.

"These letter writers indicated that they found the FOMC minutes useful for purposes of preparing for the next FOMC meeting (meetings are held eight times a year), and for revisiting points that had been made in the meetings," said Mr. Gonzalez.

"More importantly, as one former Federal Reserve official wrote, releasing the complete minutes assured those attending the meetings that their views would eventually be aired when the minutes were made public," said Mr. Gonzalez. "For example, one letter cited the case of the President of one of the Reserve Banks who valued the published minutes because 'it helped him and his staff to maintain intellectual honesty, sometimes in the face of great pressures to bend. He knew that even when his views fell on deaf ears in a meeting, consistent analysis of the problem and recommendations of solutions would be in the record to be viewed with historical perspective.'"

"Releasing the complete FOMC meeting minutes 60 days after the meeting took place would also serve to quell the rumor-mongers who thrive -- and sometimes profit financially -- when information is leaked about the discussions at the FOMC meetings. With all the information out in the public, the financial markets would more efficiently adjust to the correct information," said Mr. Gonzalez.

"Finally, because the FOMC's monetary policy decisions have such a profound impact on the economy, it is especially important that the public know whether the Federal Reserve is making monetary decisions in its best interest," Mr. Gonzalez said.

**ENCLOSURE: Federal Reserve Chairman Alan Greenspan's December 24 letter.**

# # #



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



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,  
