

AMENDING THE FEDERAL RESERVE ACT

NOVEMBER 20 (legislative day, NOVEMBER 15), 1979—Ordered to be printed

Mr. PROXMIRE, from the Committee on Banking, Housing, and Urban Affairs, submitted the following

REPORT

[To accompany H.R. 4998]

The Committee on Banking, Housing, and Urban Affairs, to which was referred the bill (H.R. 4998), having considered the same, reports favorably thereon without amendment and recommends that the bill as amended do pass.

SUMMARY

This legislation amends the Federal Reserve Act to require that detailed minutes of all meetings of the Federal Open Market Committee (FOMC) be maintained and published on a deferred basis. The minutes are to include a transcript of the proceedings of each meeting which may be edited for style but without changes in substance. The Board may delete from the minutes information regarding foreign countries and central banks and international institutions which have a majority of foreign membership. Such deletions must be noted, and the legislation requires that the information eventually be published. The minutes themselves would be published by the Board on, but not before, the first business day of February of the fourth calendar year following the calendar year in which the meeting involved occurs.

HISTORY OF THE LEGISLATION

H.R. 4998 passed the House of Representatives by voice vote on September 17, 1979, and was referred to the Committee on Banking, Housing, and Urban Affairs. On November 6, 1979, the committee ordered H.R. 4998 reported without amendment.

The Federal Open Market Committee (FOMC) started keeping detailed minutes of its meetings in 1936. In 1964, the minutes were released for all meetings held prior to 1959, and the FOMC adopted a

policy of publishing minutes of future meetings with a 5-year lag. Then in 1976, the FOMC voted to stop keeping detailed minutes. Since then, the only record of FOMC meetings maintained by the Federal Reserve is the "Record of Policy Actions" which is a brief summary of the meeting, and the full text of the domestic policy directive that is issued to the Federal Reserve Bank of New York. This record is currently released about 30 days after the meeting is held, which is usually 3 to 4 days after the next meeting of the FOMC. H.R. 4998 in no way affects the Record of Policy Actions or its release to the public.

In 1977, the House Subcommittee on Domestic Monetary Policy held its first hearing on legislation to reinstate the minutes. Whitten opinions on the value of the minutes were received from 81 economists, historians, bankers, and former Federal Reserve officials. These opinions overwhelmingly supported the reinstatement of the minutes and their release on a delayed basis.

In 1979, the Subcommittee on Domestic Monetary Policy again held hearings on this issue, having before it H.R. 2307, the forerunner of H.R. 4998. Gov. Philip E. Coldwell testifying on behalf of the Board of Governors of the Federal System indicated the Board's support of the principle of reinstatement of the minutes and their release on a delayed basis. Subsequently, the subcommittee worked out an agreement as to specific language of the legislation with the Federal Reserve. On July 19, 1979, the subcommittee approved an amendment in the nature of a substitute offered by Mr. Mitchell of Maryland which was adopted unanimously and ordered reported as a clean bill by a vote of 7 yeas to 0 nays. The full Committee on Banking, Finance and Urban Affairs ordered the bill reported on July 31, 1979, by a unanimous voice vote.

EXPLANATION OF THE LEGISLATION

This legislation would require the Board of Governors of the Federal Reserve System to maintain detailed minutes of all meetings of the Federal Open Market Committee. The minutes are to include a transcript of the proceedings which may be edited for style but not changed in substance, in accordance with regulations to be prescribed by the Board. The regulations may authorize the inclusion of staff reports to the FOMC. It is the committee's understanding that the staff reports may be included by reference and still satisfy the language of the bill and that such reports would be made available if they are requested by the public. The minutes must attribute to individual members of the committee the views they express during the meetings.

The legislation provides that the Board may delete from the minutes information regarding any foreign country, foreign central bank, or any international institution with a majority of members who are either foreign countries or foreign central banks. Such deletions shall be indicated in the minutes. It is the Committee's understanding that the Board may determine at any time after the publication of the minutes that the deleted information should be published. The legislation also explicitly requires the Board to review the deleted information not previously published not later than 15 years after the date of the meeting in question to determine whether it should be published. The

legislation requires that the deleted information be published not later than 30 years after the date of the meeting. The House committee report indicates that a commitment has been by the Board to provide members of the congressional committees with oversight jurisdiction over the Federal Reserve access, on a confidential basis, to any deleted information one year after the meeting to which it pertains.

The minutes shall be publically released according to a fixed schedule in the language of the legislation which reads, "on, but not before, the first business day of February of the fourth calendar year following the calendar year in which the meeting occurs."

The legislation stipulates that the requirements to maintain and release FOMC minutes applies only to meetings held after the legislation has been enacted. It also provides that the minutes of meetings held prior to April 1, 1976, not already published, would be published within 6 months of the date of enactment of this legislation.

NEED FOR THE LEGISLATION

The detailed minutes of the FOMC meetings were stopped in 1976 because the members of the FOMC were concerned that a freedom of information suit might force the disclosure of the details of the FOMC meetings without delay. The FOMC was concerned that early release of the minutes could enable some unfair advantage to financial market participations. There was also concern about premature release of sensitive information pertaining to foreign official institutions.

Many expert witnesses have expressed their opinion that there is great historical value in maintaining a detailed record of discussions at the FOMC, including the attribution of views to individual members of the Committee. Former Vice Chairman of the Federal Reserve Board, J. L. Robertson has indicated that the views of individual members are particularly important, that qualified men prefer not to remain anonymous, and that as competent individuals, members of the FOMC—

should be willing and anxious to stand on their records and be held responsible for the way in which they play their respective roles.

Former Reserve Board Governor Sherman Maisel provided the following additional rationale for attribution and disclosure of individual views:

From my experience, I believe that each member of the FOMC prepares more carefully and makes more considered statements based on the recognition that he and others are on the record and will be judged in the future on their individual contributions to the debate.

Other former members of the Board and academic witnesses have stressed the absolute importance of the minutes in monetary policy research.

Members of the FOMC should be on the record for their votes. Historians and monetary experts should have access to the detailed record of debate on monetary policy issues. This is especially true in an economic environment where monetary policy and decisions made by the FOMC are of vital importance to the well-being of the Nation.

REGULATORY IMPACT STATEMENT

In accordance with rule 29.5 of the Standing Rules of the Senate, the committee does not consider that enactment of this legislation would have any regulatory impact.

COST OF THE LEGISLATION

Enactment of this legislation will result in a cost of \$25,000 per year to be borne by the Board of Governors of the Federal Reserve System. This cost would be reflected in the Federal budget as a reduction in miscellaneous receipts of the U.S. Treasury.

The Congressional Budget Office has submitted a cost analysis of this legislation in the following letter:

CONGRESSIONAL BUDGET OFFICE,
U.S. CONGRESS,
Washington, D.C., November 9, 1979.

HON. WILLIAM PROXMIRE,
Chairman, Committee on Banking, Housing, and Urban Affairs, U.S. Senate, Dirksen Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has reviewed H.R. 4998, as ordered reported by the Senate Committee on Banking, Housing and Urban Affairs, November 6, 1979. The bill, if enacted into law, would amend the Federal Reserve Act to require that detailed minutes of Federal Open Market Committee meetings be kept and published on a deferred basis. Based on this review, it is estimated that the cost of implementing the legislation would be \$25,000 per year. This cost would be borne by the Board of Governors of the Federal Reserve System and would be reflected in the Federal budget as a reduction in the miscellaneous receipts of the U.S. Treasury.

Should the committee so desire, we would be pleased to provide further details on this estimate.

Sincerely,

ROBERT D. REISCHAUER,
(For Alice M. Rivlin, Director).

CORDON RULE

In the opinion of the committee, it is necessary to dispense with the requirements of subsection 4 of rule XXIX of the Standing Rules of the Senate in order to expedite the business of the Senate in connection with this report.

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