



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

March 11, 1975

STRICTLY CONFIDENTIAL (FR)
CLASS I - FOMC

TO: Federal Open Market Committee

FROM: Arthur L. Broida *ALB*

Attached is a copy of a memorandum from the staff, dated today and entitled "Proposed reduction in lag for FOMC policy records."

It is contemplated that this memorandum will be discussed by the Committee at its meeting on March 18, 1975.

Attachment

STRICTLY CONFIDENTIAL (FR)
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TO: Federal Open Market Committee SUBJECT: Proposed reduction in
FROM: The Staff lag for FOMC policy records

The staff recommends that the publication lag for the FOMC policy records be reduced from the present 90 days to about 45 days, beginning with the record for either the February or March meeting.^{1/ 2/}

The practice of releasing the policy record for each meeting 90 days after the date of the meeting has been followed since the Freedom of Information Act became effective in 1967. (Earlier, the records for a full year were published only annually, in the Board's Annual Report.) The question of a possible reduction in the lag has been raised from time to time, including the FOMC meeting held in February 1974. It was understood then that

^{1/} Under the present 90-day schedule, the records for the meetings held on January 20-21, and February 19, 1975, would be released on April 21 and May 19, respectively. If the Committee should decide to reduce the lag beginning with the February record, both the January and February records might be released in early April. (Processing of the February record has been expedited to facilitate such timing.)

^{2/} If the Committee decides to reduce the publication lag from the present 90 days, an amendment would be desirable in subsection 271.5(a) of the Rules Regarding the Availability of Information, which now indicates that publication of the policy directive is deferred for "approximately 90 days." A proposed amendment is shown in the Appendix.

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the Committee would postpone consideration of the question until experience had been gained under the then-new procedure of incorporating in the records information on the short-run operating targets.

This memorandum reviews the considerations underlying the recommendation for a reduction in the publication lag and the implications its adoption would have for Committee and staff procedures.

Considerations underlying recommendation

The main reasons for deferring availability of information on Committee policy decisions are to reduce the risks (a) that speculators and others would be able to take unfair advantage of the information released and (b) that market reactions would impair the effectiveness of the Committee's functions. In the opinion of the Committee's General Counsel, although the Freedom of Information Act requires that agencies "currently publish" statements of general policy (and make unpublished records--with some specific exceptions--"promptly available" to any person), deferment of availability is not inconsistent with the Act so long as the length of the deferment meets an implied standard of reasonableness. A shortening of the lag for the policy record would tend to increase the risk of undesired consequences; at the same time, it would tend to reduce the probability that outside observers would view the lag as inconsistent with the

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legal requirement for "current" publication. Thus, it would be desirable for the Committee to employ the minimum lag it considers likely to involve an acceptable degree of risk.

Against the background of a year's experience in publishing the short-run specifications, the Manager and senior Board staff members concerned with open market operations are of the opinion that the lag in releasing information on the Committee's decisions, including these specifications, need not be as long as 90 days-- nor even 60 days, the main alternative the Committee has considered in the past--to avoid an unacceptable degree of risk. In their judgment, a lag of 6 weeks, or perhaps 45 days, would be adequate for the purpose. On this basis, the record for a meeting would be published around the beginning of the second following month--e.g., the record for a January meeting would be made public about March 1. The rationale for such timing is that the short-run specifications adopted in January include tolerance ranges for growth rates in the monetary aggregates over the January-February period, and publication would occur approximately at the close of that period.^{1/} The release

^{1/} The staff considered the alternative of releasing the record for a meeting on the afternoon of the next scheduled meeting (i.e., with a lag of 4 or 5 weeks, depending on the schedule). Such timing would involve publication of information on the Committee's policy decision on the very day it was superseded by a new decision, but at a time when the period for the growth rates specified at the previous meeting still had about 2 weeks to run. In the judgment of the staff, however, whatever gain was involved by releasing the records about 2 weeks earlier would be outweighed by the increase in risks of undesired reactions.

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could include information on any inter-meeting changes in specifications, since they would have been applicable only to the date of a subsequent meeting that had already been held.

Implications for procedures

At present, the Secretariat gives first priority after each FOMC meeting to preparing the memorandum of discussion, with the objective of distributing a preliminary draft early enough to permit submission of the revised draft to the Committee for acceptance at the next meeting. Work on the policy record is not only given second priority after the memorandum of discussion, but it also may be deferred because of other demands on the time of Secretariat staff members, including preparations for subsequent meetings and special assignments, and because of vacations and other absences. For such reasons, the full process of developing and clearing successive drafts often consumes a large part of the 90 days now available for the purpose.

Some modification of present procedures obviously will be required if the policy records are to be published with a 45-day lag. One needed change would be a streamlining of the present rather elaborate review process.^{1/} It would also be necessary for the staff to

^{1/} See next page for footnote.

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give work on the policy records whatever priority is needed to insure that publication deadlines are met.

With a Secretariat staff of the present size, it would not be feasible to meet a 45-day deadline for publication of the policy records and also maintain the present schedule for preparing the memorandum of discussion. Accordingly, the possibilities are being explored of securing part-time assistance from other members

1/ Present procedures involve the following steps, after the initial draft has been completed:

1. Staff review, to check facts and interpretations.
2. Distribution of draft labeled "preliminary" to Board members and Reserve Bank Presidents for comment.
3. Submission of revised draft to Board, for approval for inclusion in Board's Annual Report. (If no Board member requests a review by Board as a whole, the draft is approved by the Secretary of the Committee under delegated authority.)
4. Distribution of revised draft, in the form approved, to Reserve Bank Presidents for further comment, if any.
5. About 10 days before release date, distribution of text in press release form to Board members for final review. (If no Board member requests a review by Board as a whole, the text is approved for release by the Secretary under delegated authority.)
6. About 4 days before release date, mailing of copies of final text and covering press release to Reserve Banks.

With a shortened lag, steps 3, 4, and 5 might be consolidated, by submitting a revised draft in press release form simultaneously to the Board for approval for inclusion in the Annual Report and to the Presidents for information. Any further suggestions that stage would be handled on an ad hoc basis.

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of the Board's staff. There undoubtedly will still be some slippage with respect to the schedule on which the memorandum of discussion is available, particularly in the near term while these people are being recruited and trained.

Attachment

Appendix

If the Committee decides to reduce the lag for publication of its policy records, it may wish to amend subsection 271.5(a) of the Rules Regarding Availability of Information in the manner indicated below. Although the amendment shown calls for a 45-day lag, any other time period could, of course, be substituted. Note that it is proposed to take advantage of the opportunity provided by this revision to correct the title of the instrument mentioned from "current economic policy directive"--the title used when these Rules were last revised--to "domestic policy directive," the title now used. Note also that the statement regarding the lag for the policy directive is formulated as an example of a general policy of deferment of information under certain circumstances. Thus, the Committee's reservation of the right to defer other information for some longer period--as might be deemed necessary, say, in connection with some action in the foreign currency area--would not be affected by the revision.

SECTION 271.5 - DEFERMENT OF AVAILABILITY OF
CERTAIN INFORMATION

(a) Deferred availability of information. - In some instances, certain types of information of the Committee are not published in the Federal Register or made available for public inspection or copying until after such period of time as the Committee may determine to be reasonably necessary to avoid the effects described in paragraph (b) of this section or as may otherwise be

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necessary to prevent impairment of the effective discharge of the Committee's statutory responsibilities. For example, the Committee's ~~current-economic~~ DOMESTIC policy directive adopted at each meeting of the Committee is published in the Federal Register approximately 90 45 days after the date of its adoption; and no information in the records of the Committee relating to the adoption of any such directive is made available for public inspection or copying before it is published in the Federal Register or is otherwise released to the public by the Committee.