

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date October 15, 1976

To Chairman Burns

Subject: Formal FOMC votes on

From Arthur L. Broida *ALB*

longer-run growth ranges

At the July FOMC meeting the Committee agreed in principle that when it next adopted longer-run ranges for the monetary aggregates it would do so by formal vote--rather than, as in the past, by informal agreement. The purpose of this note is to indicate briefly the effects this change will have on reporting procedures, and to raise two questions.

Policy record. The formal vote will, of course, be recorded in the policy record, pursuant to a requirement of the Federal Reserve Act requiring inclusion of all votes on open market policies. At present a formal vote is shown for the domestic policy directive, but not for the longer-run targets (or short-run specifications).

Federal Register. The ranges adopted will be published in the Federal Register, pursuant to a requirement of the Freedom of Information Act relating to "statements of general policy." At present only the domestic policy directive (and any changes in the foreign currency directive or in the domestic or foreign currency authorization) are published in the Register.

Minutes of actions. The ranges adopted, and the vote on them, will be included in the minutes of actions, which are placed on file in the Board's Freedom of Information Office.^{1/} This is

^{1/} Most items included in the minutes are placed on file the day after the meeting. The directive is withheld until the corresponding policy record is released. Occasionally, other items (e.g., the September action concerning the System's debt to the Swiss National Bank) are withheld for a time.

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pursuant to a FOI Act requirement relating to "final votes of each agency member in every agency proceeding."

A question arises regarding the timing on which we release the longer-run ranges by putting them on file in the FOI Office (and publishing them in the Federal Register). We could wait 30 days until we publish the policy record for the meeting, as we now do for the directive. However, there would appear to be no advantage in withholding the longer-run ranges for 30 days if they are made public much sooner in the course of Congressional testimony. It might therefore be desirable to plan on placing the longer-run ranges in the FOI Office and publishing them in the Federal Register immediately after such Congressional testimony.

A second question arises regarding the specific form of the Committee's action regarding longer-run ranges. If the Committee votes simply on certain numbers, it would be necessary to add at least a minimal amount of definitional material in the Federal Register notice. For example, that notice might read:

At its meeting on (date), the Federal Open Market Committee adopted the following ranges for rates of growth in monetary and credit aggregates for the period from the X quarter of 1976 to the X quarter of 1977: M₁, a to b per cent; M₂, c to d per cent; M₃, e to f per cent; and the bank credit proxy, g to h per cent.

Alternatively, the Committee itself might formally adopt certain explanatory language of the kind that has been included in the text of the policy records. Two possibilities, labeled "short form" and "long form," are given below.

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Short Form

In the judgment of the Committee, annual rates of growth for M_1 , M_2 , M_3 , and the bank credit proxy within ranges of A to B, C to D, E to F, and G to H per cent, respectively, between the X quarter of 1976 and the X quarter of 1977 appear to be consistent with the Committee's longer-run economic objectives.

Long Form

In the judgment of the Committee, annual rates of growth for M_1 , M_2 , M_3 , and the bank credit proxy within ranges of A to B, C to D, E to F, and G to H per cent, respectively, between the X quarter of 1976 and the X quarter of 1977 appear to be consistent with the Committee's longer-run economic objectives. It is understood that these annual ranges, as well as the particular list of aggregates for which such ranges are specified, will be subject to review and modification at subsequent meetings. It is also understood that, as a result of short-run factors, growth rates from month to month might well fall outside the ranges contemplated for annual periods.