

**FEDERAL OPEN MARKET COMMITTEE
CONFERENCE CALL
October 5, 1993**

PRESENT: Mr. Greenspan, Chairman
Mr. McDonough, Vice Chairman
Mr. Boehne
Mr. Keehn
Mr. Kelley
Mr. LaWare
Mr. Lindsey
Mr. McTeer
Mr. Mullins
Ms. Phillips

Messrs. Broaddus and Parry, Alternate Members of the Federal Open
Market Committee

Messrs. Hoenig, Melzer, and Syron, Presidents of the Federal Reserve Banks of
Kansas City, St. Louis, and Boston respectively

Mr. Kohn, Secretary and Economist
Mr. Bernard, Deputy Secretary
Mr. Coyne, Assistant Secretary
Mr. Gillum, Assistant Secretary
Mr. Mattingly, General Counsel
Mr. Patrikis, Deputy General Counsel
Mr. Prell, Economist
Mr. Truman, Economist

Messrs. R. Davis, Lang, Lindsey, Rolnick, and Rosenblum, Associate Economists

Mr. Fisher, Manager for Foreign Operations, System Open Market Account
Ms. Lovett, Manager for Domestic Operations, System Open Market Account

Mr. Winn, Assistant to the Board, Office of Board Members, Board of Governors
Messrs. Madigan and Stockton, Associate Directors, Divisions of Monetary
Affairs and Research and Statistics, Board of Governors

Ms. J. Johnson, Assistant Secretary of the Board, Office of the Secretary, Board
of Governors

Ms. Werneke, Special Assistant to the Board, Office of Board Members, Board of
Governors

Ms. Danker, Assistant Director, (?) Division of Monetary Affairs, Board of
Governors

Ms. Low, Open Market Secretariat Assistant, Division of Monetary Affairs,
Board of Governors

Messrs. Beebe, J. Davis, T. Davis, Dewald, Goodfriend, and Ms. Tschinkel,
Senior Vice Presidents, Federal Reserve Bank of San Francisco, Cleveland,
Kansas City, St. Louis, Richmond, and Atlanta respectively
Mr. Strongin, Vice President(?), Federal Reserve Bank of Chicago

Transcript of Federal Open Market Committee Conference Call
October 5, 1993

CHAIRMAN GREENSPAN. [This telephone conference] has been called to review the FOMC's position on some issues that might come up on October 13th and 19th and to keep everyone informed of the general strategy that I'm going to be expounding in my testimony. This is not an effort to get a uniformity of views. In fact, Chairman Gonzalez has asked for independent views and that's what we should give him. [Secretary's note: See Appendix for a copy of the letter from Mr. Gonzalez to various Federal Reserve officials.] The October 13th testimony--the one that I will be doing by myself--will cover an overview of the central bank in a democracy and the problems associated with it, and a lot of the technical characteristics of the history as well as the structure of the Federal Reserve itself. Secondly, there will be a discussion of the role of Reserve Bank Presidents going back to the Banking Act of 1935 and a review of the issues that arose subsequently, of various proposals [regarding their role] and what I think is wrong with those proposals. Then we will be working on the GAO audit. But I gather that there will be separate testimony at some point with Governor Angell covering that issue in some detail solo.

With respect to the disclosure issues in the October 13 and 19 testimonies: First, on the 13th, I will cover the general principles on disclosure and accountability; that will essentially be incorporated into the text of my testimony. I will defend current disclosure policy as telling the public as much as possible without impairing the FOMC's ability to make the best possible policy. Accountability [is provided] via the minutes [we publish for each meeting] since those not dissenting agree with the majority view and should be held accountable for the results. Separate statements giving details of individual positions would serve no useful purpose. Secondly, release of videotape, audiotape, or a literal transcript would have a chilling effect on the free flow of ideas and the ability to bring confidential information to the deliberations. Third, immediate release of the directive could threaten to roil markets unnecessarily, and concern about market reaction could reduce flexibility in decisionmaking, possibly deterring the FOMC from writing needed instructions to the Desk from time to time. Moreover, the decision can't be evaluated without the minutes, which take some time to prepare. Clearly, leaks undercut the argument against immediate release.

With respect to the October 19 testimony during which we will all be up there answering the three questions [posed in Mr. Gonzalez's letter]: First, in regard to overall strategy, we recognize that a number of people have notes on the meetings. We intend to refuse requests for any materials discussed in answers to questions one and two. This refusal is consistent with the Freedom of Information Act since most of the materials are part of the deliberative process and as such are protected under the Act. The FOMC is not subject to the Sunshine Act but if it were, its current practice of releasing minutes with a lag would be consistent with that law. Ultimately the Banking Committee could issue a subpoena, but we intend to fight to convince other Committee members that this would not be in the national interest. In effect the Chairman [of the Banking Committee] would be

endeavoring to achieve through the back door what he might be unable to achieve by a change in policy as a result of legislation.

Secondly, my own answers to the first two questions, which are relevant to our discussions here today, will be along the following general lines: On question one, I will say I do take very brief rough notes during the meeting on people's positions to enable me to judge Committee sentiment and formulate a policy recommendation. These notes are kept in a locked file along with other FOMC materials. On question two, I will say others around the room may also be taking rough notes and I am sure they will tell you about them in their own responses. I'm also aware that the meetings are recorded by the FOMC Secretariat. These tapes are used to prepare the minutes released to the public after the subsequent meeting and are then recorded over. In the process of putting together the minutes from the tapes an unedited and occasionally garbled transcript is prepared as are detailed notes adapted from the transcript. These notes and transcripts generally are not seen by Committee members or by staff not involved in the preparation of the minutes. And they are kept secure by FOMC Secretariat staff.

One approach other Committee members may want to follow on questions one and two is to relate your knowledge of your notes and those of your Reserve Bank [staff] and defer to others as I did on their own notes. In this structure the Chairman would have responsibility for reporting on the FOMC Secretariat and I will do so, probably in the meeting on the 19th of October.

On question three, I'm inclined to answer myself that leaks are a big problem; they are unfair and so forth. These leaks have not been authorized or directed by the FOMC. In response the FOMC has reemphasized to its members the necessity of avoiding contact with the press around the time of FOMC meetings and [exercising] caution at other times. And it has decided that there will be a full formal investigation of the next leak. Clearly if leaks continue, we will have to review our policy on release of the directive. If Chairman Gonzalez follows up with me and asks--or re-asks, I should say--question three very specifically, I would more than likely say that I have not myself released to the press or public information about the results of FOMC meetings before those results were made available by the usual procedures, nor have I instructed or authorized others to do so. There have been no orchestrated, directed, or managed leaks by the FOMC. I have, however, briefed members of various Administrations from time to time about the outcomes of FOMC meetings because that knowledge would help them to formulate policies for which they have responsibility. If pressed, I would probably indicate that I have had suspicions as to where some of the various leaks may or may not have come from, but I have no definitive evidence and it would be inappropriate for me to expose the Banking Committee to speculations where I don't have adequate evidence.

With respect to the Memorandum of Discussion (MOD), a heavily edited transcript of the meetings, that remains an option we should discuss. In your previous letters to Mr. Gonzalez a number of you supported this option with appropriately delayed release. In addition, my answer to question two will reveal that raw materials still exist for drafting MODs going back a number of years. In our previous discussions two [objections] to the MOD were raised. First,

that if it were prepared, we would be uncertain about our ability to protect it from [immediate] release under FOIA. The ruling and judge's decision in the Merrill case suggest that nearly all the contents of the MODs would be protected under FOIA as deliberative material. But times and judicial decisions do change and we might need legislation to be sufficiently confident that we could protect what needed to be protected. Incidentally, the Board and the FOMC 10 years or so ago thought that legislation was indeed needed. Secondly, some of you expressed concern that knowledge that an MOD was going to be prepared would inhibit discussion. There would be a greater tendency to come with prepared statements and less willingness to engage in or react to argumentation. Some of you who were here in the early 1970s [when MODs were still being produced] noted that there was a greater number of prepared statements at that time, though I guess much else also has changed in the interim.

I think there are several options with respect to the Memoranda of Discussion. We could basically say that we will stay where we are and that we will not give out MODs under any conditions, [and] we could say "no" for the reasons that I discussed earlier. The second option is that we could prepare MODs for older meetings--say, three, four, or five years old--from available information if there is sufficient demand. I don't know whether or not three years is too short; five years is probably too long, but clearly several years would necessarily have to transpire before I think we would feel comfortable in issuing such MODs. There are several disadvantages, one of which is that it would require considerable staff work, much of it at the senior level to review. In light of this, how are we to determine sufficient demand for this? You may recall that in the past, despite the political clamor, there was actually very little in the way of demand for those MODs and they are, remember, quite costly to produce. I intend to make that point if the issue comes up in terms of committing. The MODs for earlier meetings could not be verified by participants, obviously. This was an important part of the previous process. It would be difficult to defend our current practice of not preparing MODs for recent meetings and our stated position that the minutes give sufficient historical record. The advantage is that it might deflect calls for release of past notes and transcripts. The third option is that we could resume preparation of MODs for current meetings on the expectation that they could be adequately protected under FOIA and destroy other notes and records once the official MOD was prepared and accepted by the Federal Open Market Committee.

Finally, the FOMC may also want to discuss immediate release of instrument settings--that is, the federal funds rate. Some members were favorably disposed when that subject was first brought up and it might give the appearance of openness without doing too much substantive harm to the policy process. However, unless instructed otherwise, if the subject arises I would intend to oppose that as well, as potentially affecting policy flexibility through concerns about the announcement effects. That, gentlemen and lady, is the content of how I look at the October 13th and 19th meetings. I and my colleagues here are available for questions on part or all of it.

MR. MELZER. Alan, this is Tom Melzer.

CHAIRMAN GREENSPAN. Yes, Tom.

MR. MELZER. I'm just wondering, though I don't think there's any way around it: Isn't it likely that talking about the tapes and transcripts will prompt a FOIA request [for them]?

CHAIRMAN GREENSPAN. Almost certainly.

MR. MELZER. I'm just thinking back to earlier discussions we had of the risk that would be associated with a Memorandum of Discussion and whether we'd be able to protect that under FOIA. It seems to me we would very likely get a request on that, wouldn't we?

CHAIRMAN GREENSPAN. I'm almost certain we would, but I will leave it to Virgil Mattingly to indicate to you his impression of the security of that.

MR. MATTINGLY. I think you would get a request for that document and--

MR. BOEHNE. Alan, I think your overall strategy is the right one. We have been most successful in defending ourselves when we take a firm position and say this is what we do and why we do it and we do it without apology and we do it without attempt to compromise. I don't think [compromise] gets us very much in this time and situation. As an example, I agree with your [comments] about earlier discussions [in which] we had talked about maybe releasing the intermediate target variable. While there has been some sympathy off and on for that, I think this is not the time to show any sympathy for that. If we ever do something like that, it ought to be from strength rather than looking as though we're trying to throw a bone. So I think our best position is to go up there and hang very firm, and I gather from the substance and tone of your comments that that's what you intend to do. It has worked since 1935; it's a proven strategy and I think it's as good now as it has ever been in the past.

I think it is tougher to decide how to play the issue of the Memoranda of Discussion, mainly because we did [produce] them for a number of years and it didn't cause us any great harm. When all of this was being debated, in the late '70s mostly, just about everybody from the Fed who was asked or took any kind of public position said yes, we would resume them if we had some legislative protection. That legislation never came. I don't think there's an easy way around that. All things considered, that would be the option I would choose although I must say, having been around the Open Market Committee in the 1970s, that the meetings were much more formal. There was less give-and-take and there was a tendency for people to come in with prepared statements, which made it difficult for the subsequent give-and-take that I think has become a real strength of the Committee over the last 10 or 12 years. And in hindsight, I think the Memoranda of Discussion played a role in that. Whether we would return to that now that we're used to a more free exchange, I don't know. I think one could say that, but I don't think it's a major reason to defend not releasing them to the public. So, on balance, where I would come out is: We used to do them; we have found that there are some advantages in not having them; and we do publish a lot of information. However, if we did have legislative protection, as we thought we had pre-1976 or 1977, whatever the year was, I don't think we'd have a lot of choice. We'd be quite inconsistent with our previous statements if we

didn't resume them. My guess is that we wouldn't get that kind of protection.

MR. MELZER. You know, Ed, I agree with you. I don't think we will, but I'm not sure it is necessary. In fact, I presume that it's Virgil's view that a FOIA request would not prevail rather easily and in any event could be delayed rather significantly in time.

MR. MATTINGLY. I think that's right, [though] my answer might have been a little more definitive yesterday than it is today. But yesterday I would have felt very comfortable saying that the great bulk of that document could be withheld from the public on the grounds that it would--

MR. BOEHNE. I certainly value your judgment on that, Virgil. However, these things have a way of changing over time given the cast of characters; and what may seem like a good bet today may not look like a good bet tomorrow. So, unless we did have legislative protection, I think we really do run a risk that we would run into an unfavorable judicial decision at some point down the road.

MR. MATTINGLY. I think that was one of the reasons that the Committee discontinued the Memorandum of Discussion in 1976; they couldn't be sure that some other judge or some other court wouldn't reach a decision different from that reached by the judge in the Merrill case.

MR. BOEHNE. That's right. Also I think this position of saying that we need the legislative protection saves us from having all of those earlier testimonies and letters and positions thrown up at us today, [with people] wondering why it is that 15 years later all of what was expressed then isn't valid. And I'm sure there must be a stack of papers supporting a Memorandum of Discussion if we have legislative protection.

CHAIRMAN GREENSPAN. Ed, I--

MR. SYRON. This is Dick Syron. The point I would have is our capacity to limit such legislation that narrowly. I favor the approach you have suggested. But in what we advocate or suggest I think we might want to rely a bit more on our willingness to do this being predicated on a belief that we have legal protection under exigent law. I will just say that raising the possibility that we would like Mr. Gonzalez to introduce legislation that allows us to do this might well result in legislation that is a fair bit further reaching than we'd like in this area.

CHAIRMAN GREENSPAN. I think that's the reason why we have been quite reluctant to go in the direction of [favoring] a change in the Federal Reserve Act because once we open it up, it's a bit tricky.

Ed Boehne, let me just note that I think your insights into the earlier meetings with Memoranda of Discussion would really be quite useful [to convey] at the October 19th meeting. I hope you remember what you said and can reproduce it because I think it gives a wonderfully good flavor of what the issues are and why it is that some simplistic view with respect to how we disclose [the contents of our proceedings] is fraught with elements which could undercut the

effectiveness of our discussions. My inclination at this stage would be to argue that if there's enough of a demand, we would certainly be willing to write up Memoranda of Discussion and release them, say, with a three-year lag. But unless there is evidence of a demand for them, I would be disinclined to initiate that because it's a very costly operation. The presumption that it's an automatic sort of thing is clearly wrong. And if I make the issue that there's a lot of cost involved, which there is, it might deter some of those who believe that all we have to do is push a button.

VICE CHAIRMAN MCDONOUGH. This is Bill McDonough. Listening to Ed Boehne would convince me that the quality of the FOMC meetings would be seriously adversely affected by the existence of an MOD. If the main purpose of the FOMC's existence is to bring about the best possible monetary policy based on a discussion in which we can listen to one another and change our minds in the course of the meeting and share views--especially on foreign governments and their activities of the kind that I did at the last meeting--and share information of a confidential nature that we receive from market participants, I think we are much better off in terms of reaching the best possible decision not to have the MOD at all. I would very much be in the camp of saying that we should resist it. [As for] the idea of releasing it three years later, I guess if I am very convinced that, say, Hans Teitmeyer and I will still know each other and be working together three years from now, I just wouldn't be able to contribute what I think may be some added value from the contacts that I have with some of those people and with market participants here in New York. I very much hope that we can get away with not having an MOD at all.

CHAIRMAN GREENSPAN. Well, actually, those materials would be redacted in any Memorandum of Discussion. In fact, anything that resembles that kind of thing would be excised from materials [that are made public]. Obviously, there are discussions about individual financial institutions or discussions of persons, all of which would be excised. That's the difference between a transcript and a Memorandum of Discussion. All of the sensitive things, I would assume, would be readily [excised].

MR. MCTEER. Mr. Chairman, Bob McTeer in Dallas. You mentioned four options on the Memorandum of Discussion and the last one was immediate release of the fed funds rate, or whatever instrument it was we were [using].

CHAIRMAN GREENSPAN. Yes.

MR. MCTEER. We could do that unilaterally right after the meeting. Wouldn't that automatically take care of the leak problem? It would make the other discussions in the Memorandum of Discussion somewhat less relevant or immaterial. It seems to me that it would take care of their strongest arguments and wouldn't cost us an awful lot. I know you indicated that you would be inclined to oppose that--

CHAIRMAN GREENSPAN. Yes, Bob, largely because I don't think it would accomplish what you're suggesting. First of all, we actually do indicate our funds rate fairly directly to the market, and everybody knows it. The oral confirmation is really not that significant.

MR. MCTEER. Well, we do it at 11:30 a.m. the next day. But [Mr. Gonzalez] thinks that we're tipping someone off in the market. Clearly, if we make that announcement before we disband or while we're still in the room, we couldn't be accused of any kind of leak that would be important in the market.

CHAIRMAN GREENSPAN. Well, I would hope we're able to cover our leaks without that. But the real problem is that I think it just moves the issue up one notch. There will be very considerable pressure to find out who said what, who took what position, and a variety of other things--mainly the nature of the debate that took place. I think you'll find that it gains us very little. And I especially would not want to do something that in any way implicitly came about as a consequence of these Committee hearings.

MR. HOENIG. Mr. Chairman, Tom Hoenig. I just have a question. If I hear what you are saying, in your discussions with them you are going to emphasize that we do release the minutes, that there is accountability in that, and that those who dissent [are duly recorded.] The Memorandum of Discussion is only going to come up if--but probably when--you get a question from Mr. Gonzalez. And these are the options you're defining now.

CHAIRMAN GREENSPAN. That's correct.

MR. HOENIG. So we're not bringing it up as a possibility?

CHAIRMAN GREENSPAN. No.

MR. HOENIG. You want to resist it if at all possible, which is what I think we should do.

CHAIRMAN GREENSPAN. That is correct. Look, as far as I am personally concerned, if I thought that the Memorandum of Discussion was something useful for this institution, I would have recommended it to all of you a long time ago. I don't.

MR. HOENIG. Okay.

MR. MELZER. Alan, Tom Melzer again. I'd just make an observation: If somebody took you up on your offer to go back and prepare the [MOD for] a meeting three years ago from existing material, I don't know how you'd define sufficient demand. I suspect you are thinking about market demand and they'll be thinking about political demand, and maybe you're thinking of both of them. But in any case, if we got in a position where we were going to go back and sort of recreate a meeting from three years ago, I think we have to consider whether we want to conduct our meetings differently today on the theory that while we started this as an experiment it may continue. So if we're involved in that experiment, then we better go ahead and [think about how it would affect our meetings now]. This would be my concern anyway because, looking forward three years, if we were going to do the process justice, then the MOD ought to be prepared around the time [each meeting is held]. I was just wondering whether that one little bite would really put us into a bigger program right from the start.

CHAIRMAN GREENSPAN. Well, I think it would.

MR. MELZER. Yes.

CHAIRMAN GREENSPAN. One of the reasons why I have no intention of bringing this up is that I don't think there's anything that is useful for us. The problem, however, is that we did do it [earlier]. And the argument against it is very weak largely because the only argument we have is that the FOMC meetings were very inefficient 15, 20 years ago and we've improved them measurably and do much better now; and one of the reasons they were [less efficient] in 1976, or whenever, is that they had the Memorandum of Discussion. That argument, I will tell you, is not very powerful.

MR. SYRON. Mr. Chairman, I happen to agree very much with the statement you just made. And I think the comments that were made about inhibiting discussion are generally useful. But in considering this issue, I think what we have to emphasize is their usefulness, given the lag in time and that it's possible for [unintelligible] value on the free discussion of what one might call privileged information. My personal opinion, having seen some of those meetings in the '70s as well, is that the way the meetings are conducted now and the tone of the Chairman has [as] much to do with openness as the formal records being kept. I also would be a little concerned that someone would turn this argument against us and say: Are these people conducting such a rambling unfocused affair that is so poorly thought out in what they present that they don't want it reflected in history?

CHAIRMAN GREENSPAN. That's a good question. I don't know how to answer that.

MR. KEEHN. This is Si Keehn. With regard to this business of going back and reconstructing Memoranda of Discussion for previous meetings from the information we have, I presume in the process that the people who participated would have an opportunity to review them and make changes and corrections as we do now on what we produce. And I must say I think it would be awfully hard to go back that length of time and try to produce anything that would be reasonable. I would resist very strongly the suggestion that we could go back and reconstruct these from such a long time ago.

CHAIRMAN GREENSPAN. Well, Si, that's exactly the type of issue, when the question comes up on October 19th, that you should weigh in on.

MR. KEEHN. Okay.

CHAIRMAN GREENSPAN. I think the whole purpose of the October 19th meeting is to beat on us about disclosure and that whole area. If we start to buckle and start to do things that we can't defend, I think it moves this up another notch. I don't think we gain anything by giving in. My only problem is that we have in the past argued strenuously--in fact there was a whole series of testimonies in the 1970s--in support of putting out Memoranda of Discussion, and that's very tough to get around. However, if we keep the authority to redact those materials which are inappropriate [to release], I suspect--if somebody asks, say, for a Memorandum of Discussion of a specific meeting four or five years ago--we probably would have some reasonable capability of putting it together and some reasonably good sense of what should be redacted. I would think in retrospect that it's always

easier to know what should have been redacted [than to know] at the time.

MR. MCTEER. Mr. Chairman.

CHAIRMAN GREENSPAN. Yes, Bob.

MR. MCTEER. The specific questions in our letter of invitation to testify seem rather strange or surprising. I wasn't sure exactly why he had that approach and also why he didn't invite us to testify on other aspects of the Bill. I wonder if Don Winn or somebody might clarify a bit the motivation for focusing so narrowly on those [issues] and whether we should address all of the Bill or just what he asked us in the letter. Would not addressing some [of the other] issues imply concurrence?

MR. WINN. Bob, in my conversations with Gonzalez's staff they have indicated that they expect Chairman Greenspan to testify on the broad issues in the legislation on the 13th, but that their view of the hearing on the 19th is that it would be limited to that part of the Bill that deals with minutes, transcripts, videotapes, and their release, plus the questions in the letter. I have not explored further with them their motivation behind those questions. So, I do not have any information about what they're getting at beyond the statements in the invitation to you. They did grant that at the hearing some other members may raise some of the issues in the Bill. But they expect that our testimony and written statements would be focused on the minutes issue. And I think they're trying to confine the hearing on the 19th to that issue.

MR. MCTEER. In our testimony before the Riegle Committee we basically stuck together. We didn't sound so terrible because we were all able to talk about conditions in the different regions. It seems to me that we're going to make a sorry show if we're all talking about very narrow issues and agreeing with each other completely. I understand the argument for sticking together and not buckling, but it would be nice if there were some way we wouldn't all sound like a broken record.

CHAIRMAN GREENSPAN. Well, what do you suggest?

MR. MCTEER. I don't know.

MR. LINDSEY(?). What if we all agree?

MR. MCTEER. But if all we say is that we agree with the Chairman's testimony on the 13th, we're going to look like stonewallers.

CHAIRMAN GREENSPAN. You mean on other issues?

MR. MCTEER. Well, no, on those he's asking us about.

CHAIRMAN GREENSPAN. Well, it will depend on whether or not I'm able to say that in my judgment I'm speaking for [all of you] as well as for myself, which I suspect is probably the case because virtually all of the issues have been vetted at the FOMC as well as at Board meetings. If somebody's concerned about it, I could try to

think of those areas where there might be disagreement. If not, I'd basically say that this is my impression after very extensive discussion with other members of the FOMC and as a consequence I trust I'm reflecting their views as well as mine.

MR. MCTEER. We're all on the record as agreeing with you in our letters that we've already sent in. I'm not questioning the views; [my concern] is just the way it's going to look to the people [watching] C-Span, I guess.

MR. BOEHNE. I can tell you, it will look worse if Gonzalez is successful in creating some significant division among us.

CHAIRMAN GREENSPAN. That's obviously--

MR. BOEHNE. That's what we have to avoid because that's the bigger problem. I'd rather the hearings be boring and uneventful and whatever else. What we don't want to come out of this is that there are significant divisions within the Committee because once we [succumb to] that divide and conquer [tactic], I think we have weakened our position. And where we have been the most successful is by saying: Here is our position; we're not apologizing for it and here are the reasons for it. And going to the mat with it. Once we deviate from that, I think we're in trouble.

MR. SYRON. Ed, I happen to agree very much with what you just said. The difficulty, though, is [how] to structure this hearing and the way we go into it. If we're completely on the defensive, we can only lose because the way this is structured now with all of us--I don't know how many people are going to testify but I guess it's an awful lot--the chances of there being a miscue or of making a mistake are fairly good. I don't know how to do it, but if there is a way, along the lines of what Bob said, of trying to raise in our testimony something about the economy, or even finding a segue between the importance of what we're doing and the [unintelligible] in some of our regions or something else to try to get somewhat off the defensive, it's worth thinking about. I'm not sure it's possible.

CHAIRMAN GREENSPAN. Well, that's not a bad idea, Dick, because remember: Aside from Gonzalez and a few other planted questions, this [Banking] Committee is not focused on this issue. In fact the one thing that's pretty clear is that there is a spectacular lack of interest in that Committee for these hearings. And it should be quite easy to say: And by the way, this reminds me of an incident in 1936 in Sacramento or something like that.

MR. SYRON. Well, Mr. Chairman, what I intend to do is to say: Look, I object to a lot these changes that are being proposed. I don't object to them in the sense that they are adverse to me personally. I'm somewhat proud, I hope, of what I do in the FOMC. But I object to them because of the way they would affect the people in my District. And the people in my District don't need any more problems in their economy nor do the people in the nation at this point in time.

VICE CHAIRMAN MCDONOUGH. This is Bill McDonough again. I think that kind of diversification is a good idea. What we don't want to be diversified about is our answers to the basic questions.

MR. KEEHN. Absolutely.

CHAIRMAN GREENSPAN. I think that's right. Look, the point here is that the purpose of these questions is to divide and conquer. In fact, one of the questions is basically asking us to snitch on each other if we know something. Frankly, I think that is really quite inappropriate as a question. And I would not dignify it too much in the way of a response. But I would subscribe to Dick Syron's view that the more you can say about other things [the better]. Indeed, by then I will have presented my testimony and you will all know what earlier testimony was, especially the first one this Thursday. And there would be nothing wrong in responding to some of the criticisms coming from the other testifiers, from those who clearly have a balanced view of the Federal Reserve and are not, as the Chairman of the Committee has insisted, on a witch hunt.

SPEAKER(?). Are we going to make any effort to have any friendly people on the Committee attend or just leave that to--

CHAIRMAN GREENSPAN. You mean Banking Committee members?

SPEAKER(?). Yes.

CHAIRMAN GREENSPAN. Yes, we've already got that in train.

MR. BOEHNE. In line with talking about other things or diversionary subjects: You say that the Committee members up there don't have very much interest in this; when you talk to them, what are the kinds of subjects that are on their minds?

CHAIRMAN GREENSPAN. Credit crunch, state of the economy, employment growth--the usual.

MR. BOEHNE. Okay.

MR. KEEHN. May I ask a procedural question? When we testified before Riegle, they were fairly specific about how long they wanted our verbal testimony to be. Do we have any feel for how they're going to go about this and what Gonzalez is looking for by way of an opening statement?

MR. WINN. I've talked to Committee staff and they do expect that each one of you would make an oral statement, but a short one. I'd think the written testimony itself would surely be rather short, maybe three or four pages.

CHAIRMAN GREENSPAN. That's too long.

MR. BROADDUS. Al Broaddus here. I was going to say that I think I could give a complete answer to these questions in a page at most.

CHAIRMAN GREENSPAN. Just remember we're talking about a lot of people and there's a lag between each of us. We could spend a whole day answering that stuff. I don't know whether or not that's useful, but it's tiring.

MR. WINN. They have not decided yet on the exact format.

CHAIRMAN GREENSPAN. How many people are invited?

MR. WINN. They have invited all of the Governors and virtually all of the Reserve Bank Presidents at this point. My last count is that they would have at least 15 of us present. I asked how they were going to set it up and they're currently thinking of having the Governors appear first on one panel and then having the Reserve Bank Presidents appear as a second panel but also having Chairman Greenspan remain at the table. But they would ask each individual to have a short oral statement.

CHAIRMAN GREENSPAN. I would say for the testimony one or two double-spaced pages at a maximum.

SPEAKER(?). For submission or for testimony?

CHAIRMAN GREENSPAN. For the testimony. If you have two double-spaced pages, that's four minutes apiece. If there were no interruptions, nothing, that's an hour right there. And the chances are that there will be interruptions or gaps or whatever and, before you know it, it's an hour and 15 minutes of opening testimony.

MR. PARRY. Don, this is Bob Parry. Do they still [plan] to have those other panels follow us?

CHAIRMAN GREENSPAN. Yes, they do.

MR. PARRY. Well, that's an all-day affair for them.

CHAIRMAN GREENSPAN. They originally had us at the end and we complained.

VICE CHAIRMAN MCDONOUGH. The letter that each of us got from Mr. Gonzalez says: "Please prepare an opening statement presenting your own independent views on this subject...." Then he asks the questions. If we're going to make rather short statements both in writing and verbally, we need to negotiate with the staff, and perhaps him through the staff, as to what that means about an opening statement on the subject.

MR. PARRY. I don't know if you really want specific guidance from them.

CHAIRMAN GREENSPAN. As far as I'm concerned, all you're required to do is answer the three questions in some short form. And I wouldn't go much beyond that. Does anybody think there is any reason to go much beyond that?

MR. KOHN. The opening paragraph, Mr. Chairman, does talk about the issue of maintaining a record and requiring "a full and timely accounting of each of the FOMC meetings." So, particularly in the prepared statements, if the members wanted to discuss that and the adequacy of our current procedures and whatnot--

MR. WINN. My understanding was that what they expected in the written statement was a reaction to that part of the Gonzalez Bill dealing with the minutes.

CHAIRMAN GREENSPAN. Not the three questions?

MR. WINN. And the three questions.

CHAIRMAN GREENSPAN. And we're going to get 15 people testifying on this?

MR. HOENIG. Didn't we give a response to him last spring on our views on that? Those were fairly short.

CHAIRMAN GREENSPAN. Well, one possibility is to write a little more and to talk [by giving] excerpts from it.

SPEAKER(?). All of you except me wrote a letter to him, last spring I guess it was, saying exactly how you felt on the overall subject. And the average length of those letters was about one page.

MR. BOEHNE. Right. I think there's a lot of wisdom in essentially throwing back those letters. And on those three questions [saying]: No, I don't keep minutes; my economic advisers keep minutes I can't read; and I don't know anything about leaks.

CHAIRMAN GREENSPAN. You still have 7/8ths of the page left!

SPEAKER(?). I can't figure out how you got my text already!

CHAIRMAN GREENSPAN. I would suggest that whatever it is you write for your prepared testimony, it should reflect previous views you've expressed and that whatever you say in your oral presentation you should try to keep it under four minutes, preferably under two.

VICE CHAIRMAN MCDONOUGH. Having said that, Mr. Chairman, would you like a motion for adjournment?

CHAIRMAN GREENSPAN. I'm not sure whether or not it's in order but let's find out whether anyone else has any other views. [Hearing none,] you may make the motion, Vice Chairman.

VICE CHAIRMAN MCDONOUGH. Move adjournment.

CHAIRMAN GREENSPAN. Have a pleasant week.

END OF SESSION