

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

distributed to Board  
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**Office Correspondence**

Date July 24, 1964

To Governor Balderston

Subject: Frequency of FOMC Meetings

From Daniel H. Brill

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This is in response to your request for staff comments on the proposal to shift FOMC meetings to a monthly basis instead of the three-week interval followed now. Attachment A indicates the way the meetings would work out over the balance of this year and over 1965 under four alternative definitions of "monthly": (a) the Tuesday nearest the 20th of the month, as proposed by the Federal Reserve Bank of New York, (b) the Tuesday on or immediately after the 15th of the month, (c) the Tuesday immediately after the 15th, and (d) the fourth Tuesday of the month. Under all of these proposals there would be a four-week interval between meetings about two-thirds of the time and a five-week interval for the remainder of the period.

A principal reason usually advanced in support of a change to a monthly basis is that meeting dates could then be adjusted to the point in the month when most of the important factual information for the preceding month becomes available. As Attachment B indicates, at any meeting date before the middle of the month the staff is essentially guessing at most of the preceding month's data. While there are variations in the dates when the statistics become available, we usually don't get a good "fix" on the bulk of monthly statistics until about the 15th of the following month, with most becoming available between the 14th and 22nd of the month. Some, such as the household reports on unemployment and employment are available earlier; others, such as consumer prices and producer sales and inventories come toward the end of the month. The banking series tend to come in the last week of the month and many of the nonbank financial series tend to be distributed more widely but with some concentration after the third week of the month. The international financial data become available rather continuously and no one time during the month is clearly preferable to another.

On balance, however, meetings after the third week of the month would have available more major series than meetings earlier than that. In this connection, in considering the dates in the table, it is important to keep in mind that much of the staff preparation must be completed nearly a week earlier and it is quite difficult to give adequate attention to information becoming available after the Friday noon preceding a Tuesday meeting.

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While this might seem to be a powerful argument for delaying meeting dates until firmer measures of recent activity are available, it overlooks the fact that whenever in the month Committee meetings are held, the staff is obliged to estimate the current economic situation. There will always be the need to estimate the latest developments from whatever fragmentary evidence is available, and setting meeting dates later in the month would still mean estimating developments for the first two or three weeks of the month. Thus, the statistical argument for shifting FOMC dates can be overstated and, while not without some merit, should not be regarded as overpowering.

Another reason advanced by protagonists for changing the meeting schedule is that a monthly meeting would mesh better with the Treasury's financing schedule, which more and more has been put on a regular quarterly basis. It is suggested that monthly meetings would reduce the number of occasions when the Committee would be "locked-in" to an "even keel" position.

Changes in the number of FOMC meetings obviously would not change the number of weeks for which the Committee would be locked in. This argument, therefore, follows only if it is deemed undesirable to write a split directive, i.e., one specifying a change in policy to become effective during an inter-meeting period, say, after Treasury financing was completed and the need for an even keel was ended.

If split directives are not desirable, then it brings into question the whole concept of extending the time period between meetings. It may well be that in a rapidly changing world, assessment of appropriate monetary policy stance is required more frequently rather than less frequently. Certainly, our knowledge of the economic relationships involved is not so firm as to suggest that significantly longer intervals in the formulation of operating targets for policy can safely be undertaken. For example, in the longer run the relationship between aggregate reserve changes on the one hand and free reserves or money market conditions on the other works out roughly as expected, but this relationship in the short run is highly imperfect. One reason that has been advanced for continuing to use free reserves or money market conditions as the Committee's short-run operating target is that the Committee has frequent opportunities to make small changes in the operating targets if it observes that any given operating course is not producing the desired direction or magnitude of change in its intermediate targets such as aggregate reserve measures and interest rate levels. With less frequent Committee meetings, it is more likely that the Committee would have to make larger changes in its operating targets from meeting to meeting.

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This is not to suggest that changing the interval between meetings from three weeks to four or five weeks will necessarily produce such undesirable results. It is only that it is a move in a direction which presumes a greater knowledge of the extent of short-run co-variation between the short-run and the intermediate targets of policy than the staff feels it possesses at this stage of the economic art.

On the other hand, more frequent meetings may tend to focus the attention of the Committee too much on short-run, transitory developments and on money market developments per se rather than on the more basic indicators of the effects of monetary policy. This need not be the case, of course, but with less to say about more basic trends at frequent meetings, more discussion is likely to focus on shorter run developments.

In reviewing the various arguments, it seems to me that the only indisputable one is the wear and tear on personnel, particularly those who have to travel great distances to attend the meetings. However, this consideration should not be underevaluated. It is not just a matter of people's willingness to accept the personal burdens and inconveniences involved--it undoubtedly also affects the thoroughness of preparation in advance of meetings and the quality of participation in the meetings themselves. I believe these considerations emerge as the most critical. In the case of the other, there are pros and cons which are at least partially offsetting.

A handwritten signature in dark ink, appearing to be 'R. H. S.', is written above a solid horizontal line.

ATTACHMENT A

Alternative FOMC Meeting Dates

Tuesday nearest 20th		15th or First Tuesday After		First Tuesday after 15th		Fourth Tuesday	
Date	Weeks Between Meetings	Date	Weeks Between Meetings	Date	Weeks Between Meetings	Date	Weeks Between Meetings
<u>1964</u>		<u>1964</u>		<u>1964</u>		<u>1964</u>	
(Aug. 18)	(3)	(Aug. 18)	(3)	(Aug. 18)	(3)	(Aug. 18)	(3)
Sept. 22	5	Sept. 15	4	Sept. 22	5	Sept. 22	5
Oct. 20	4	Oct. 20	5	Oct. 20	4	Oct. 27	5
Nov. 17	4	Nov. 17	4	Nov. 17	4	Nov. 24	4
Dec. 22	5	Dec. 15	4	Dec. 22	5	Dec. 22	4
<u>1965</u>		<u>1965</u>		<u>1965</u>		<u>1965</u>	
Jan. 19	4	Jan. 19	5	Jan. 19	4	Jan. 26	5
Feb. 23	5	Feb. 16	4	Feb. 16	4	Feb. 23	4
Mar. 23	4	Mar. 16	4	Mar. 16	4	Mar. 23	4
Apr. 20	4	Apr. 20	5	Apr. 20	5	Apr. 27	5
May 18	4	May 18	4	May 18	4	May 25	4
June 22	5	June 15	4	June 22	5	June 22	4
July 20	4	July 20	5	July 20	4	July 27	5
Aug. 17	4	Aug. 17	4	Aug. 17	4	Aug. 24	4
Sept. 21	5	Sept. 21	5	Sept. 21	5	Sept. 28	5
Oct. 19	4	Oct. 19	4	Oct. 19	4	Oct. 26	4
Nov. 23	5	Nov. 16	4	Nov. 16	4	Nov. 23	4
Dec. 21	4	Dec. 21	5	Dec. 21	5	Dec. 28	5
Total	16		16		16		16
4-week intervals	10		10		10		9
5-week intervals	6		6		6		7

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AVAILABILITY OF PRINCIPAL SERIES OF INTEREST TO THE FEDERAL OPEN MARKET COMMITTEE

<u>Domestic Economic</u>	<u>Frequency</u>	<u>Estimate Available</u>	<u>Fairly Firm Figure Available</u>
<u>Major Series</u>			
GNP and components	Quarterly	Middle of 1st month of following quarter	Middle of 2nd month of following quarter
Industrial production	Monthly	--	12th-14th, following month
Wholesale prices	"	15th-20th, current month	15th-20th, following month
Wholesale prices	Weekly	--	Friday of current week
Consumer prices	Monthly	--	23rd-27th, following month
Steel production	Weekly	--	Monday of following week
Auto sales and stocks	10-days	--	1 week after end of period
Personal income	Monthly	--	16th-18th, following month
Employment (household survey)	"	1st, following month	6th, following month
Unemployment	"	" " "	" "
Nonagricultural payroll employment	"	8th-10th, following month	15th-17th, following month
Hours and earnings	"	" " " "	" "
Retail sales	"	27th, current month	10th, following month
New orders for durable goods	"	17th, following month	30th, following month
Manufacturers' sales & inventories	"	--	" "
Distributors' inventories	"	--	8th, 2nd following month
Plant & equipment intentions	Quarterly	--	Middle of last month in quarter
Inventory anticipations	"	--	" "
Construction activity	Monthly	End of month	End, following month
Dodge contracts	"	--	26th-28th, following month
Housing starts and permits	"	18th-20th, following month	18th-22nd, 2nd month following
Vacancies (Census)	Quarterly	--	17th, following month
Consumer credit extensions, repayments, & outstandings	Monthly	20-25 days after report month, for commercial banks and for such credit types as auto and GAF	30-35 days after report month

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<u>Financial</u>	<u>Frequency</u>	<u>Estimate Available</u>	<u>Fairly Firm Figure Available</u>
Money supply*	Monthly (daily avg.)	Around 25th, same month	1st-7th, following month <sup>1/</sup>
U.S. Govt. demand deposits at all commercial banks*	" "	" "	" "
Commercial bank time deposits* adjusted	" "	" "	" "
Member bank reserves	" "	" "	" "
Federal Reserve credit	" "	" "	1st-3rd, following month <sup>2/</sup>
Member bank deposits subject to reserve requirements, by type	" "	" "	1st-7th, following month <sup>1/</sup>
Factors affecting member bank reserve balances	" "	" "	1st-3rd, following month <sup>2/</sup>
Turnover of demand deposits	Monthly (average)	7th-10th, following month	Around 13th, following month
Seasonally adjusted credit at all commercial banks, including major loan categories	Monthly (last Wed.)	1st-7th, following month	6th-12th, following month
Liquid assets of the nonbank public	" "	--	15th, following month
Treasury cash receipts & payments and cash borrowing	Monthly	--	18th-25th, following month
Government debt, subject to ceiling	"	--	30 to 45 days following end of month
Treasury Ownership Survey	"	--	30 days following end of month
Corporate public offerings of securities	"	End, preceding month	End, current month
Corporate private placements	"	6 weeks after end of month	6 weeks after end of quarter
Municipal security offerings	"	End, preceding month	End, current month

\*--Semi-monthly averages also available: reasonably good advance estimates usually are made by last day of semi-monthly period; firm estimates usually are made within a week following the end of a semi-monthly period.

<sup>1/</sup> First Thursday of following month.

<sup>2/</sup> First day following end of month.

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<u>Financial</u>	<u>Frequency</u>	<u>Estimate Available</u>	<u>Fairly Firm Figure Available</u>
<u>Major Series</u>			
Mortgage recordings	Monthly	--	20th-24th, following month
Mortgage debt outstanding, load aggregates	Quarterly	10th-21st after quarter	2 to 3 months after quarter
Secondary market yields--FHA insured homes	"	--	12th-15th, following month
Stock market credit	Monthly	--	15th-20th, following month
Corporate profits	Quarterly	End of Feb., April, July October	Late in following quarter
Corporate working capital	"	--	3rd week following (Apr., June, Sept., Dec.)
Savings flows to S&L assoc.	Monthly	15th-20th, following month	End, following month
Savings flows to mutual savings banks	"	" "	" "
Savings flows to life insur. companies	"	--	20th, 2nd following month

<u>International Finance</u> <sup>a/</sup>	<u>Frequency</u>	<u>Estimate Available</u>	<u>Fairly Firm Figure Available</u>
<u>Major Series</u>			
U.S. payments deficit	Weekly	End, same week	End, following week
U.S. payments deficit	Monthly	11th-13th, following month	22nd-25th, following month
U.S. payments deficit (some detail on changes in foreign dollar holdings)	"	--	End, following month
Movements of liquid funds by U.S. corps.	"	--	Middle, 2nd following month
Bank-reported capital flows	"	--	22nd-25th, following month
Bank-reported capital flows, detail	"	--	Beginning of 2nd following month
U.S. exports, imports total	"	--	6th-7th, 2nd following month
U.S. exports, imports, detail	"	--	15th-18th, 2nd following month

<sup>a/</sup> Information about economic and financial developments in countries abroad comes at varying times with little evidence of concentration at any time of the month.