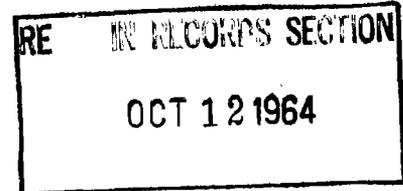




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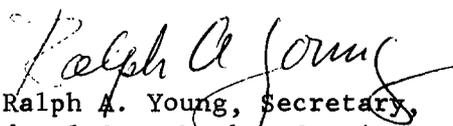
October 9, 1964

CONFIDENTIAL (FR)

TO: Federal Open Market Committee

FROM: Mr. Young

There is enclosed an outline, proposed by Messrs. Ellis, Mitchell, and Swan, for the planned discussion of their directive proposals at the meeting of the Committee to be held on October 20, 1964.

  
Ralph A. Young, Secretary,  
Federal Open Market Committee.

Enclosure

OCT 12 1964

~~October 9, 1964~~CONFIDENTIAL (FR)

Outline for Discussion of Directive Proposals at  
FOMC Meeting of October 20, 1964

1. Analytic Description of Economic Background for Policy Action.

Should the Committee, by formal vote at each meeting, adopt an analytical summary of the economic and financial developments most pertinent to its policy decision, along the lines of elements 1 and 2 of the "trial directives" prepared before recent meetings?

Should such a statement most appropriately be incorporated in the Committee's directive, or should it be kept separate as a potential replacement for the first part of the present policy record entry?

2. Policy Intent.

Should the Committee incorporate in its official directive a separate element dealing with its longer run policy intent. This would correspond to element 3 of the "trial directives" or to the opening statement in the first paragraph of the present form of the directive.

What types of measures of financial conditions might best be used under given economic circumstances in formulating the statement of policy intent? If more than one measure is to be referred to at any given time how should the relationships between it and other measures be expressed (e.g., should one be specified as the primary target, and the others as expected or desired concomitants)?

How far should the Committee go at this time in describing the measure or measures in specific quantitative terms (as in the illustrative directive attached to the June 16 memorandum to the Committee) or in some approximation of such terms?

3. Operating Instructions.

To what extent should instructions to the Manager of the Account be couched in quantitative terms? Should such quantitative instructions be in terms of specific levels (with the understanding that precise performance could not be expected) or in terms of ranges?

What variables could appropriately be used in instructions to the Desk? Is it practical to specify targets for different variables, e.g., a free reserve target constrained by some market interest rate limits?

4. Procedural Steps.

Should the Committee direct the staff to continue to prepare for its consideration at each meeting one or more draft statements of policy intent and operating instructions corresponding to possible policy decisions?

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Should the Committee now widen its experimentation with the trial directives by deliberating, after adjournment of each meeting, the new type directive that might have been issued, using the trial directive prepared by the staff as the basis for such deliberations?