October 16, 1978

To: Board of Governors Subject: Humphrey-Hawkins and

Monetary Policy

From: Jay P. Brenneman

As one of its final acts yesterday, Congress passed the Humphrey-Hawkins "Full Employment and Balanced Growth Act of 1978." In so doing, the Congress approved (with two technical modifications) the Senate Banking Committee's version of Section 108 dealing with the Federal Reserve's reports on monetary policy, which had been worked out some time ago between Chairman Proxmire and the Board.

Attached is Section 108 in its entirety, as adopted by the Congress. One of the technical modifications was a deletion, and this is shown by bracketing the words which have been removed; the other modification was a wording addition, which is indicated by underscoring.

Attachment

cc: Reserve Bank Presidents
Messrs. Allison, Axilrod, Coyne, Kichline, S. Jones, O'Brien,
O'Connell, Petersen and John Wallace; Ms. Kondo

MONETARY POLICY

Sec. 108. (a) Section 2A of the Federal Reserve Act is amended by striking out the second and third sentences

and inserting in lieu thereof the following: "In furtherance of the purposes of the Full Employment and Balanced Growth Act of 1978, the Board of Governors of the Federal Reserve System shall transmit to the Congress, not later than February 20 and July 20 of each year, independent written reports setting forth (1) a review and analysis 6 of recent developments affecting economic trends in the 7 S Nation; (2) the objectives and plans of the Board of 9 Governors and the Federal Open Market Committee with 10 respect to the ranges of growth or diminution of the 11 monetary and credit aggregates for the calendar year 12 during which the report is transmitted, taking account 13 of past and prospective developments in employment, unemployment, production, investment, real income, productivity, 11 international trade and payments, and prices; and (3) the 15 relationship of the aforesaid objectives and plans to the 16 short-term goals set forth in the most recent Economic 17 Report of the President pursuant to section 3(a)(2)(A) 18 of the Employment Act of 1916 and to any short-term goals 19 approved by the Congress pursuant to title III of the 20 Full Employment and Balanced Growth Act of 1978.) In 21 addition, as a part of its report on July 20 of each year, 22 the Board of Governors shall include a statement of its 23 24 objectives and plans with respect to the ranges of growth

the calendar year following the year in which the report ١ is submitted. The reports required under the two preceding sentences shall be transmitted to the Congress and shall be referred in the Senate to the Committee on Banking, 1 Housing, and Urban Atlairs, and in the House of Representatives to the Committee on Banking, Finance and 15 Urban Affairs. The Board shall consult with each such Committee on the reports and, thereafter, each such Committee shall submit to its respective body a report contain-9 10 ing its views and recommendations with respect to the 11 Federal Reserve's intended policies. Nothing in this Act 12 shall be interpreted to require that the objectives and 1:: plans with respect to the ranges of growth or diminution 11 of the monetary and credit aggregates disclosed in the 15 reports submitted under this section be achieved if the 16 Board of Governors and the Federal Open Market Commit-17 tee determine that they cannot or should not be achieved because of changing conditions: Provided. That in the 15 subsequent consultations with/the aforesaid Committees 19 of the Congress pursuant to this section, the Board of 20 Governors shall include an explanation of the reasons for ::1 2.1 any revisions to or deviations from such objectives and 23 plans.".

24 (b) The amendment made by subsection (a) takes 25 effect on January 1, 1979.