



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

January 30, 1980

CONFIDENTIAL (FR)
CLASS I - FOMC

TO: Federal Open Market Committee SUBJECT: Meeting Schedule
FROM: Paul Volcker

The implications of our new operating procedures for short- and long-run FOMC decisions have raised the question in my mind of the desirability of certain adaptations in the Committee's meeting schedule--at least so long as we continue with reserve targeting.

Our emphasis currently is on tracking money supply and related targets. The Committee's decision about short-run money objectives has generally been, and presumably will remain, in terms of a 3-month annual rate of growth. This 3-month targeting pattern appears generally reasonable. However, the question naturally arises as to whether the base for the 3-month target should be rolled forward at each FOMC meeting, or whether the 3-month period should be a fixed (quarterly) interval for which rates of growth can be established at one meeting and reconsidered (with implications for the subsequent quarter) at a subsequent meeting. In either case, meeting intervals of four to five weeks provide limited experience of the actual performance of the monetary aggregates relative to the short-run targets set at each meeting, given the reporting lags and the volatility of the series. Moreover, the

-2-

first alternative runs the risk of a new kind of "base-drift" through a moving short-run target that could lead to undesired deviations from the longer-run target. Such risks would be reduced under the second alternative in my view.

In these circumstances, our short-run targeting suggests the following general meeting schedule. One meeting would be held around the beginning of a quarter to establish money targets for that quarter. A second meeting could be held toward the middle of the quarter to reconsider those targets in light of experience, new economic information, and implications for the subsequent quarter, perhaps considering tentative targets for the next quarter to be reviewed at the next meeting. The same pattern would be repeated in subsequent quarters.

Let me suggest for discussion the following revised meeting schedule for 1980 (including the January and scheduled February meetings for purposes of illustrating how the procedure would work for the whole year):

January 9	--	Preliminary discussion of QIV '79-QIV '80 long-run target. Establish short-run target for December to March.
February 5	--	Decide on long-run target for 1980. Review December to March target and implications for March to June target.
April 1	--	Establish target for March to June period.
May 20	--	Review March to June target and implications for June to September.
July 9 (Wednesday)	--	Review 1980 long-run target, and establish preliminary long-run target for 1981. Establish target for June to September.

-3-

- August 26 -- Review June to September target and implications for September to December.
- October 7 -- Establish target for September to December.
- November 18 -- Review target for September to December and implications for December '80 to March '81.

The proposed schedule involves 8 rather than 10 meetings for this year.^{1/} However, it seems likely (and probably desirable) that half of the meetings might involve a supplementary session on the previous afternoon to take up special topics or to permit more intensive discussion.

I should like to have your reactions next week.

^{1/} Of the proposed meetings, the ones for May, July, and November are identical to those previously set for 1980.