



STATE OF WYOMING
OFFICE OF THE GOVERNOR
CHEYENNE 82002

ED HERSCHLER
GOVERNOR

March 20, 1986



Honorable Thyra Thomson
Secretary of State
State Capitol
Cheyenne, WY 82002

Dear Mrs. Thomson:

I am allowing **Senate Enrolled Joint Resolution No. 2**, being **Original Senate Joint Resolution No. 0012**, to become effective without my signature.

Senate Enrolled Joint Resolution No. 2 calls for an audit of the Board of Governors and the twelve Federal Reserve Banks which comprise and regulate the Federal Reserve System. From the wording of the resolution, I understand that the Wyoming legislature is expressing its displeasure with the monetary policy of the Federal Reserve. For the reasons given below, I cannot add my endorsement, by signature, to the resolution.

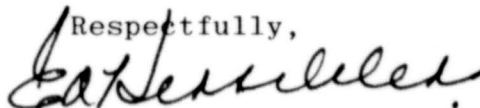
First, the resolution suggests that we need a change in monetary policy. While this may be the case, monetary policy decision-making is much more complex than appears on the face of this resolution. The entities involved must weigh the impact of any change in policy on the exchange rate for the dollar, the resulting effect on employment and inflation in the United States, and the impact any interest rate changes will have on the rest of the world. I believe the resolution fails to capture these evaluations which must occur in setting monetary policy, and incorrectly suggests that decision-makers should set policy as though the United States is a closed economy.

Secondly, the resolution suggests that monetary policy is the key influence on the business and economic climate of our nation. Proponents of the resolution

Honorable Thyra Thomson
Page Two
March 20, 1986

must have overlooked the significance of federal fiscal policies to our economy. The Tax Equity and Fiscal Responsibility Act of 1982, the Deficit Reduction Act of 1984, and the Gramm-Rudman-Hollings legislation, have had and will have a significant effect on the Nation's business and economic climate. In addition, other events, such as the decline in oil prices, the increase in competition from abroad, and changes in institutions brought about by deregulation of financial markets and other industries, affect the structure of the economy as well. I believe it is somewhat myopic to suggest, as the resolution does, that the Federal Reserve System in large part detrmines the business and economic climate of our nation.

Finally, while I am somewhat amused that a Republican-controlled legislature is demanding an audit of a Reagan-appointed board, I question how useful an audit would be in addressing our concerns with business and the economy. Surely, there exists some better use for our tax money than in paying for the audit demanded by the resolution.

Respectfully,


EH:b

ORIGINAL SENATE
JOINT RESOLUTION
NO. 0012

ENROLLED JOINT RESOLUTION NO. 2, SENATE

FORTY-EIGHTH LEGISLATURE OF THE STATE OF WYOMING
1986 BUDGET SESSION

A JOINT RESOLUTION requesting Congress to audit the Federal Reserve System.

WHEREAS, the Federal Reserve Banks are private corporations and not government institutions; and

WHEREAS, the special stocks of Federal Reserve Banks are nominally owned by private commercial banks; and

WHEREAS, the Federal Reserve Banks are largely responsible for determining the money supply in the United States; and

WHEREAS, the money supply is in large part responsible for interest rates which determine the business and economic climate of our nation.

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE LEGISLATURE OF THE STATE OF WYOMING:

Section 1. That the Congress of the United States cause to be made a complete audit by the General Accounting Office of the income and expenses of the Board of Governors and the twelve Federal Reserve Banks which comprise and regulate the Federal Reserve System, and a detailed report published and made available to the public no later than October 1, 1987.

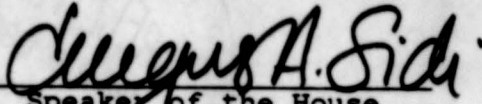
ORIGINAL SENATE
JOINT RESOLUTION
NO. 0012

ENROLLED JOINT RESOLUTION NO. 2, SENATE

FORTY-EIGHTH LEGISLATURE OF THE STATE OF WYOMING
1986 BUDGET SESSION

Section 2. That the Secretary of State of Wyoming transmit copies of this Resolution to the President of the United States Senate, the Speaker of the House of Representatives of the United States, each member of the Wyoming Congressional Delegation and to the chairman of the banking committees of each house of Congress.

(END)


Speaker of the House


President of the Senate

Governor

TIME APPROVED: _____

DATE APPROVED: _____

I hereby certify that this act originated in the Senate.

John E. W. H.
Chief Clerk

Chief Clerk

