

Miss Muehlhaus

July 21, 1961

The Honorable Wright Patman,
Chairman,
Joint Economic Committee,
Congress of the United States,
Washington 25, D. C.

Dear Mr. Chairman:

The Federal Open Market Committee has carefully considered the requests for copies of its minutes and certain other materials for the year 1960, made of Mr. Rouse and me during the Joint Economic Committee Hearings of June 1 and 2, 1961. You and I have discussed these requests by telephone, and they were referred to in your letter of June 14, 1961. It is the view of the Federal Open Market Committee that it should act as follows on your Committee's requests:

1. A memorandum outlining the considerations taken into account on the last occasion when the Committee instituted a policy of restraint is enclosed. In this connection, I should point out, as do the answers I have already submitted to the list of questions you raised at the Hearings, that the determination of monetary policy is a continuous process, and thus it is difficult to pinpoint the moment of a change. To repeat a comment I made on this subject more than five years ago,

Monetary policy...must be tailored to fit the shape of a future visible only in dim outline. Occasions are rare when the meaning of developing events is so clear that those who bear the responsibility can say, "As of today, our policy should be changed from ease to restraint"--or from restraint to ease, as the case may be. What is true of a change in policy is also true of a shift in policy emphasis: it is rarely decided upon in a single day. More typically, as is evidenced by open market operations, the outline of a shift in policy emphasis, like the outline of the future, emerges gradually from a succession of market developments and administrative decisions. It is a poor subject for the photo-flash camera to capture as a clearly defined still life, or for a news story to etch in spectacular outline. Getting a perfect garment for the future may require several fittings.

Therefore, factors considered and analyses undertaken by the Committee during the meeting immediately preceding and during other meetings farther back in time might not seem strikingly different from those at the meeting that may be selected as marking the beginning of a policy of restraint.

2. Copies of the wires referred to in your letter as being from the Board to Mr. Hayes and Mr. Rouse are enclosed. These wires, prepared at the offices of the Board of Governors and sent to all Reserve Bank Presidents as well as Board members, contain a detailed summary of the 11:00 a.m. daily conference call which, you will recall, was fully described by Mr. Rouse in his statement that he read at the hearing on June 1 and submitted for the record. Most of the information contained in each wire is a rundown of developments in the money and securities markets during the first hour of trading that morning. The last part of the wire indicates what the Account proposes to do that day, given the situation as seen at 11:00 a.m.

3. Regarding the notes and interpretative memoranda referred to in your letter:

(a) There is very little in the way of note taking beyond that done by the secretarial staff of the Committee and by a staff member of the New York Bank to record what actually transpires at the meetings. Any notes taken at the meetings by Committee members are usually no more than scribbled abbreviations for the purpose of keeping for the moment a running memory aid of the discussion as it proceeds, and such notes are not customarily retained. The minutes are prepared promptly by the secretarial staff and drafts thereof are usually in the hands of the Committee members and Mr. Rouse, as Manager of the System Open Market Account, within a week to 10 days. The Secretary of the Committee also furnishes Mr. Rouse by the morning of the day following a meeting a brief unedited synopsis of each member's policy recommendations and of the consensus of the Committee. The notes taken by the staff member of the New York Reserve Bank are recast in the form of an internal memorandum for working purposes, and this memorandum and the synopsis are available to Mr. Rouse as an aide memoir pending receipt of the preliminary draft of minutes and the final minutes. Since these are merely staff working papers and their content is fully covered in the minutes, it seems needless to furnish them separately.

(b) As to interpretative memoranda, these may be taken to include the economic summary prepared by the Board's staff, projections of reserve figures and factors, and the

detailed record of open market operations undertaken since the previous meeting, all of which are furnished to Committee members prior to the meeting. Copies of these are enclosed, although their substance is covered to some extent in the minutes.

Also, there is enclosed the pertinent opening paragraph of a memorandum dated August 2, 1960, and sent by Mr. Rouse to the members of the Federal Open Market Committee and the Federal Reserve Bank Presidents not then serving on the Committee, expressing his understanding of the consensus of the Committee at its July 6, 1960 meeting relative to possible open market operations in short-term securities in addition to Treasury bills. This is included because it might be considered to be interpretative of a Committee discussion.

4. Verbatim records of the meetings of the Federal Open Market Committee are not made. The minutes, however, present a faithful and comprehensive record of the Committee's proceedings. The Open Market Committee is prepared to make these minutes of its meetings held in 1960 available to the Joint Economic Committee on the understanding that they will be treated as confidential. It should be noted, however, that some members of the Committee feel that normally it might be more appropriate for a request for the minutes to come from the Banking and Currency Committee of the House or of the Senate. With regard to the request that the minutes be handled as confidential, the Committee believes that it would not be in the public interest to have such minutes for 1960 made public in whole or in part at this time, and its reasons for this position are as follows:

(a) There are references in the minutes to information obtained on a confidential basis. This information, and its sources, should be kept confidential, certainly for a substantial time period.

(b) From time to time there are references in the minutes to long-term prospects and possible monetary policy action should these eventuate. To guard against a reduction in the effectiveness of Committee actions or potential actions, there should be some considerable elapse of time before the minutes of any given meeting are given public access.

(c) The minutes contain a full account of the proceedings at the meetings, including the participants' statements. However, a person will frequently compress his remarks by omitting matters of background perspective that are fully understood by others present at the meeting, but which might lead to misinterpretation on the

part of one merely reading the minutes without the advantage of having been present.

(d) The minutes contain statements by individual members which are often made to raise points of discussion or to probe the possibilities of different courses of action in implementing System policies. These statements do not necessarily represent a firm view of the individual member and, in fact, the member may raise a particular matter merely to obtain discussion and clarification of the issues involved. Needless to say, individual views expressed early in a meeting may well be modified by subsequent discussion during the meeting. Therefore, the participants should feel free to raise questions and express their views--either tentative or firm--with the knowledge that their comments will not be released within a short period of time after the meetings. This freedom of discussion and the exchanges of viewpoints prior to the final decision are essential features of the process of decision-making.

It is largely for the foregoing reasons that the Open Market Committee believes that the public interest would not be served if the minutes for 1960 were to become public documents at this time, either in whole or in part. The Committee is particularly of this view, in the light of the comprehensive Record of Policy Actions made available some months ago in the 47th Annual Report of the Board of Governors of the Federal Reserve System.

The official records of the Federal Open Market Committee are maintained in the Board's offices, where the original copy of the minutes for 1960 is available for examination by representatives of your Committee. However, with the thought that it would be more convenient, the duplicate original signed copy of the 1960 minutes is being delivered herewith to the custody of your Committee for its perusal. It will be appreciated if this duplicate original is returned to us for safekeeping as soon as it has served its purpose.

Sincerely yours,

Wm. McC. Martin, Jr.

Enclosures

Staff:me

To Members of the Federal Open Market
Committee and Federal Reserve Bank
Presidents Not Presently Serving
On the Committee

August 2, 1960

From Robert G. Rouse

Subject: Operations in Short-
term Securities Other
than Treasury bills

At the July 6 meeting of the Open Market Committee there was considerable discussion of the possibility that open market operations might, under certain circumstances, be conducted in other short-term securities in addition to Treasury bills. It was the understanding of the Account Manager that the consensus of the Committee was that it was the Manager's responsibility to initiate operations in short-term securities other than bills if the general state of the market and the reserve situation suggest that such a course of action is desirable. If such an occasion should arise, the Account Management expects to state its intention at the time of the 11 o'clock call. This will allow members of the Committee an opportunity to register an objection, if they have one.
