A meeting of the Federal Open Market Committee was held in the offices of the Board of Governors of the Federal Reserve System in Washington on Tuesday, June 20, 1961, at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Allen
Mr. Balderston
Mr. Mills
Mr. Robertson
Mr. Shepardson
Mr. Swan
Mr. Wayne
Mr. Johns, Alternate for Mr. Irons
Mr. Treiber, Alternate for Mr. Hayes

Messrs. Ellis, Fulton, and Deming, Alternate Members of the Federal Open Market Committee

Messrs. Bopp, Bryan, and Clay, Presidents of the Federal Reserve Banks of Philadelphia, Atlanta, and Kansas City, respectively

Mr. Young, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Hexter, Assistant General Counsel
Mr. Thomas, Economist
Messrs. Coldwell, Einzig, Garvy, Noyes, and Ratchford, Associate Economists
Mr. Rouse, Manager, System Open Market Account

Mr. Molony, Assistant to the Board of Governors
Mr. Koch, Adviser, Division of Research and Statistics, Board of Governors
Mr. Knipe, Consultant to the Chairman, Board of Governors
Mr. Yager, Economist, Government Finance Section, Division of Research and Statistics, Board of Governors
Mr. Petersen, Special Assistant, Office of the Secretary

Mr. Hickman, Senior Vice President, Federal Reserve Bank of Cleveland

Messrs. Eastburn, Baughman, and Tow, Vice Presidents of the Federal Reserve Banks of Philadelphia, Chicago, and Kansas City, respectively
Mr. Holmes, Manager, Securities Department, Federal Reserve Bank of New York
Messrs. Bowsher and Hellweg, Economists, Federal Reserve Banks of St. Louis and Minneapolis, respectively.

Chairman Martin noted that consideration of approval of the minutes of the Committee meeting on May 9, 1961, had been deferred at the June 6 meeting in order that the Committee members might have an opportunity to study certain comments of Mr. Wayne, as set forth in a letter dated June 1, 1961, pertinent excerpts from which had been distributed by the Secretary of the Committee. Mr. Wayne's comments were directed toward the wording of two sentences in a statement, found at page 55 of the preliminary draft of minutes, which Mr. Robertson had submitted subsequent to the May 9 meeting in explanation of his dissent from the consensus as to the implementation of the policy directive during the period until the next meeting of the Committee. In essence, Mr. Wayne had expressed himself as feeling that parts of the statement inserted by Mr. Robertson in the minutes following the meeting might be read to imply that members of the Committee other than Mr. Robertson did not hold certain views that Mr. Robertson endorsed, whereas in his (Mr. Wayne's) opinion, such views were not a subject of debate but actually were accepted by all members of the Committee.

Chairman Martin commented that, not having been present at the meeting on May 9, he could not speak in terms of first-hand knowledge of what had been said at that time. However, he noted that no verbatim record of Open Market discussions was maintained, and he emphasized the need for care in phrasing whatever went into the minutes so as to maintain their integrity as an accurate reflection of the meetings. He then called for comment on the question raised by Mr. Wayne.

Mr. Robertson said that there was nothing in the statement that he had asked be inserted in the minutes that had not been said during meetings of the Committee. However, to eliminate any question as to the way his comments might be read, he would suggest certain changes in the language of the two sentences cited by Mr. Wayne. Mr. Robertson said that he shared the concern expressed by Mr. Wayne, and he agreed fully as to the desirability of phrasing minutes so as to avoid misunderstanding, particularly if portions were read out of context. He then presented his suggested changes in wording.

Mr. Wayne indicated that the revisions proposed by Mr. Roberts would meet his point satisfactorily, and other members of the Committee likewise expressed themselves as satisfied.

Thereupon, upon motion duly made and seconded, and by unanimous vote, the minutes of the meeting of the Federal Open

Market Committee held on May 9, 1961, were approved in a form in which the aforementioned statement of Mr. Robertson was revised to read as follows (eliminations shown by canceled type and additions in capital letters):

Mr. Robertson dissented from the decision to request the Manager of the Account to so conduct open market operations as to achieve a degree of ease comparable to that which prevailed prior to the last meeting of the Committee rather than the higher degree of ease which has prevailed from that time to this. It was his belief that the recent level of around $600 million has promoted a turn-around in the money supply and brought about an increase in bank credit without unduly depressing yields on Government securities. It was his view that the downswing in yields which did occur was attributable more to the West German discount rate reduction and comments by persons outside the Federal Reserve System than to System open market operations.

~~In his view~~ ALL MEMBERS OF THE COMMITTEE AGREE THAT this is a time when the American economy ought to move upward toward a more satisfactory rate of employment and toward a fuller use of its resources. While current information suggests that this may be happening, it would be dangerous to take it for granted that recovery is going to proceed vigorously upward without significant interruption, which has never been the case after a downturn except in the spring of 1958.

With the gold outflow apparently halted for the time being, and with inflationary pressures seemingly less dangerous just now than at any time in recent years, he believed that IN ORDER FOR the Open Market Committee ~~should~~ TO make certain that the System does its full part in stimulating recovery to more nearly satisfactory levels of production and employment, ~~and hence that~~ the degree of ease achieved during the past three weeks should not be diminished (and if anything, increased slightly) during the next four weeks until the next meeting of the Committee.

In view of the likely monetary and credit needs which will accompany business recovery, he felt that a volume of free reserves in the neighborhood of $600 million during this period would not result in any sloppiness in the money markets or an unduly low bill rate.

Before this meeting there had been distributed to the members of the Committee a report of open market operations covering the period June 6 through June 19, 1961. A copy of this report has been placed in the files of the Committee.

In supplementation of this report, Mr. Rouse commented as follows:

> In the short period since the last meeting of the Committee the Government securities market has been generally quiet and the money market has been generally quite easy. Although open market operations withdrew about $340 million of reserves early in the period, the money market was unusually easy in the middle of last week when the Federal funds rate fell as low as 1/4 per cent. This was the result of a higher than expected level of float and also of a redistribution of reserves in favor of the central reserve city banks. The general ease apparently did not have an undesirable effect, as banks generally confined their investment activities to buying short-term bills and there was no significant tendency to extend maturities on the basis of expectations of continuing unusually easy money. At times, however, such wide swings in money market conditions are somewhat disconcerting as extremely easy money, even for a few days, may create anticipations of this kind.
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> There has been no occasion to operate in longer-term issues since Monday, June 5, the day that prices fell almost a full point. Since then operations have been confined entirely to sales of short-term issues. The longer-term market continues to be pretty much on its own at this point. Activity is light and dealer markets are generally quite thin, with relatively few offerings being made to the Trading Desk. The spread between yields on Governments and on corporate securities is fairly wide, but the corporate market is acting quite well at this point as the calendar of new issues promises to be a bit lighter despite an occasional large issue. Recent new issues have

continued to move steadily into investor hands when priced attractively, indicating that funds for capital investment are readily available. The municipal market is also performing quite well in the face of a large overhang of still undigested issues.

The Treasury's recent offering of strips of Treasury bills went well from the Treasury's standpoint, the rate of about 2.30 per cent being somewhat lower than expected due to aggressive bidding on the part of the larger banks. Smaller banks were apparently reluctant to bid due to the newness of the marketing technique and the complications involved in bidding and putting the issues on the books. The secondary market for the new bills has been good; banks have sold moderate amounts in strips and there has been no problem for the dealers to redistribute them by individual issues. Ratewise the whole operation has had very little impact on the market. We can conclude that the technique has proven itself despite the undesirably large number of issues involved in the offering which tended to keep out the small banks. If strips are used again, I would prefer to see a smaller number of issues.

The next Treasury operation will be the auction of one-year bills on July 11 to refund the July 15 maturity of $1.5 billion; the chances are the Treasury will add $500 million to this refunding to pick up needed new cash. Next will be the August 1 refunding which will involve about $5 billion publicly-held securities and about $5 billion held by the System. The books will be open from July 14 to 18. This will be followed shortly by an offering of a short-term issue to pick up new cash, possibly March tax anticipation bills. Despite this heavy load of financing in prospect, bill rates are holding in a 2.30 per cent to 2.40 per cent range for 91 days.

I would like to mention that a dealer recently bid us for a sizable block of 2-5/8 per cent bonds of February 1965. The dealer remarked that we had been buying intermediate issues to supply reserves and he thought we might be willing to sell them now that we were withdrawing reserves through sales of Treasury bills. We declined the offering, but this raises the question whether the System should at some time plan to sell some of its recently acquired longer issues. Personally, I think there is something to be said for doing so when conditions are clearly favorable.

Thereupon, upon motion duly made and seconded, the open market transactions during the period June 6 through June 19, 1961, were approved, ratified, and confirmed.

The economic review at this meeting consisted of a visual-auditory presentation, in which Messrs. Noyes, Hersey, Williams, Garfield, Brill, and Koch of the Board's staff participated.[1/] The presentation, highlighting economic and financial developments in the current period of economic recovery, contained sections on the balance of payments, economic activity, demand, plant and equipment outlays, resource utilization, and prices, liquidity developments, and financial flows. The introductory portion of the presentation was as follows:

At the time of our last broad review of economic developments in March, the decline in economic activity appeared to be over, but there was considerable uncertainty as to when recovery would begin and how fast it would be. Now, only three months later, the evidence is clear that vigorous recovery has already brought activity to a level substantially above the February low. By May, industrial production was at 108 per cent of the 1957 average, up 6 points from the low of 102 in February and only two points below the level of last July. A further rise is likely in June. Gross national product in the second quarter is now estimated at an annual rate of at least $512 billion, $12 billion or more above the first quarter rate.

Prices of those industrial materials especially sensitive to cyclical influences have advanced nearly half as much since the turn of the year as they had declined during the recession, almost 3 per cent as compared with 7 per cent. Steel scrap, copper, rubber, and hides have led the advance.

For some months now, one question of great interest in discussions of fiscal, monetary, and other economic policies

1/ Messrs. Brill, Garfield, Hersey, and Williams withdrew from the meeting at the conclusion of the economic presentation.

has been how far any advance in production and employment might take the economy toward reasonably high utilization of available resources. More time will be needed to answer this question. This is partly because we are still in an early stage of the current upswing, with nearly 5 million persons still unemployed, and the rate of unemployment still close to 7 per cent.

As the economic events of 1961 and 1962 unfold, analysts will be able to base appraisals of prospects increasingly on recent events, relying less on comparisons with the last expansion period--in which unemployment never fell much below 5 per cent--and the recent recession, when unemployment did not rise to the 7.5 per cent level reached in the summer of 1958. Also, as production rises and unemployment declines, consideration of what constitutes a reasonably high level of resource use will become increasingly significant.

A great deal of attention will be focused--already has been, in fact--on what is shown by various measures of resource use, including those relating to employment of the labor force, utilization of plant capacity, and actual versus potential GNP.

The significance of any particular level of activity and employment reached will depend in part on how and when we get there, the composition of demand and output at that time, and conditions then relating to demand, prices, payment balances, and the like. Looking back, we can see that the highs of mid-1953, mid-1957, and mid-1960 had some important elements in common--inventories, for example, were being accumulated beyond current needs and housing starts had been declining for some time. There were important differences also, however--as, for example, in the extent of inventory accumulation, the size of the previous capital goods upsurge, and the course of defense and other government expenditures. The ending of inventory liquidation clearly has been a highly important influence in the recent turnaround. Will there be a further shift to inventory accumulation soon? Auto sales and housing starts have risen moderately from their lows. Can we expect, somewhere along the line, a dramatic expansion in these areas such as occurred in earlier upswings, especially in 1954-55? How is the unique behavior of capital goods in the recent recession to be interpreted? Does maintenance of demand for capital goods close to early 1960 levels in most lines suggest strength in this area, where, on some grounds, weakness might be expected? What are the prospects for exports and imports? All such problems need to be considered in appraising prospects for increased activity and absorption of idle resources.

Total holdings of liquid assets relative to GNP this time are not so high as at the comparable stage of the 1958 recovery. The liquidity position, however, differs from one sector to another and study of details as well as over-all totals may be helpful in appraising prospects for various types of demand.

In the initial stage of this recovery there has been some upturn in private credit, particularly in the long-term area. Whether short-term credit will show the rapid expansion that has marked previous recovery periods is still uncertain.

While balance-of-payments problems have been in the foreground this year, the current upswing in the U. S. economy has started with exports higher than in either 1958 or 1954. The excess of exports over imports this year has been greater than in any other recent period except early 1957, reflecting a wide range of economic and financial developments abroad appreciably different from those in this country.

The concluding portion of the presentation was as follows:

Reviewing the whole economic situation at home and abroad, we see first that the 1958 recovery here preceded that in Europe and that the recession of 1960-61 was confined to the United States and Canada.

In this country, the recession reflected a sharp shift from inventory accumulation to liquidation, especially for materials; nearly full-scale declines, however, according to postwar cyclical standards, in output of consumer goods and residential building; but an unusually small decline in output of capital goods.

These declines were offset in part by expanding government outlays, rising consumer expenditures for services, and higher exports. Consumer incomes, augmented by higher transfer payments, did not decline and total consumer expenditures were maintained at about the pre-recession level. The over-all decline in demand and production was the smallest of any postwar recession.

In markets for goods and services, the strength of upward pressures on prices was diminished by many influences, including resistance of consumers to higher prices and efforts of producers to hold labor and other costs down. Underlying the stiffer attitudes prevailing in bargaining for goods and services has been an easier supply situation, with more goods available from abroad and with more productive capacity idle in this country than at any other time in the postwar period, except in early 1958.

Substantial margins of unutilized capacity offer the possibility that the advance in economic activity now under way can continue for a considerable time on a noninflationary basis, unless speculative attitudes are induced by unsustainable price and wage developments. In this respect, recent price reductions for some steel products, the moderate nature of most wage settlements this year, and the apparent lessening of fervor in the stock market are encouraging signs.

If these market attitudes continue to prevail as the recovery proceeds, the environment will be favorable to the expansion of the financial base that the economy requires for continued growth. Current levels of liquidity and of resource utilization and the absence of inflationary price pressures suggest that, at least for the immediate period ahead, it would be appropriate to encourage further expansion in bank credit and the money supply.

Mr. Bryan commented that the figures on unused capacity, such as those cited in the economic presentation, always seemed rather disturbing. He wondered, however, if he was not correct in assuming that actually these figures included a vast amount of plant and equipment that was not economically utilizable except under conditions of great boom. He then cited as an example the textile industry.

Mr. Garfield replied that in 1955, when business was very active, the rate of resource utilization was about 90 per cent of capacity. No industry, of course, can operate much above capacity, and over a period of time the average rate of utilization runs much lower than that. In the discussion of modernization outlays, actual and potential, it was recognized the figures might not be quite what they seemed to be. Mr. Noyes noted, however, that modernization expenditures had been substantial over the past five years or so. Thus, the figures on idle capacity probably were more nearly a true measurement than they were in earlier years.

It was understood that a copy of the text of the economic review and the accompanying charts would be placed in the files of the Committee and that copies would be sent to the members of the Committee and the Reserve Bank Presidents not currently serving on the Committee.

Mr. Treiber then presented the following statement of his views on the business outlook and credit policy:

> Economic recovery continues in a satisfactory manner, but there is still nothing to indicate that a vigorous expansion is ahead. So far, the advance appears to stem in large part from a slowdown, perhaps even cessation, in inventory liquidation. While retail sales show no great strength, there are indications that business spending on plant and equipment will move up later this year.
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> Even if the recovery continues to proceed through early 1962 at the same pace as in previous recoveries, unemployment is likely to remain uncomfortably high. Inflationary pressures from the demand side are unlikely. Prices remain generally stable, with some price reductions taking place as a result of competitive pressures. On the other hand, the possibility of upward pressures on the cost side will bear careful watching as collective bargaining negotiations in the automobile industry and elsewhere get under way. The stock market has recently shown a more sober tone, and business sentiment appears to be one of cautious optimism.
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> There has been a good volume of financing in the capital markets, with a steady flow of investment funds into new issues. Recent bank credit developments have been about in line with what one might expect at this stage of the business cycle. Bank liquidity has improved markedly at money market banks in recent weeks and is quite satisfactory elsewhere.
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> The most recent estimates indicate greater Treasury deficits for the fiscal year ended June 30 and for the calendar year. The prospect of increased Treasury deficits promotes

inflationary expectations. Last week the Treasury received $1.8 billion in cash through the sale of its strip of additional Treasury bills. The Treasury will probably have to raise $3.5 to $4 billion more cash in July. The additional borrowing presumably will increase the supply of short-term securities and increase bank liquidity.

The latest balance-of-payments statistics have been somewhat disappointing, with a larger deficit for May than had been expected. Thus there is every reason to remain alert to the need to prevent a decline in short-term interest rates.

The domestic business and credit situation calls for a continuation of a policy of monetary ease similar to that followed in recent weeks, resolving doubts on the side of ease. The directive was revised at the last meeting, and there is no reason to revise it at this time. We think the discount rate should remain unchanged.

For almost a year the rate on three-month Treasury bills, the bellwether for short-term interest rates, has been within the range of 2-1/8 to 2-5/8 per cent. During most of the time the effective range has been 2-1/4 to 2-1/2 per cent. We think that it is important that the rate continue within this range.

Although the recent pressure of international short-term capital flows has been concentrated on sterling rather than on the dollar, the primary need continues to be to strengthen both the dollar and sterling in relation to some of the major Continental currencies. The pressure on sterling arises out of fears and uncertainties regarding the future of sterling. As holders of sterling seek to dispose of it, the British supply dollars to the foreign exchange market to support sterling. As such dollars come into official reserves of Continental countries, they constitute a potential demand on United States gold.

We need not be fearful about doing a disservice to the British if the rate on three-month Treasury bills were to rise to the upper part of the range of recent months. Sterling is under pressure not because of rate differentials but because of weakening confidence. The main question is whether the speculative outflow from London will go to the Continental markets or to New York. An increase in the United States Treasury bill rate above its present level but within the range of recent months may influence the direction of the flow.

It is unlikely, however, to promote a substantial increase in the volume of the outflow from London. It is worse from our viewpoint for Britain to lose reserves to the Continent than to the United States.

Last week the job of open market operations was to absorb reserves. During the next few weeks it will be necessary to supply reserves. During a period of substantial open market purchases, it is especially important to have maximum flexibility as to the area of operations. We believe it is desirable to continue in its present form the authority to engage in transactions in longer-term securities.

Mr. Ellis said the few statistics on First District economic conditions that had become available since the June 6 meeting reflected a pattern of steady progress in the recovery phase of the current cycle. The New England manufacturing index gained three points in April, the survey of New England purchasing agents showed further gains in May, and in June there were further gains in electric power output. Residential construction contract awards had increased, although construction activity did not yet reflect the level of contract awards. April data, the most recent available, showed employment about one per cent below the year-ago level, which was a somewhat more favorable comparison than for the United States as a whole. Insured unemployment improved a little in the latter part of May, but was still unfavorable in comparison with the year-ago level.

Continuing, Mr. Ellis reported some decline in business loans during the past two or three weeks, just as in the United States as a whole. However, business loans showed a gain of 3.8 per cent during the year 1961 and a gain of about 2 per cent from the year-ago level. There had been an increase recently in demand deposits; such deposits were running slightly below the total at the start of the current year and one per cent higher than a year ago. Member banks had increased slightly their borrowing at the discount window during the past few weeks. They had also resorted to the Federal funds market and reduced somewhat their holdings of Government securities.

Mr. Ellis expressed himself as satisfied with credit conditions during the past two weeks. Reserves were in ample supply, and there was probably some increase in the money supply. Bill rates were slightly lower than at the time of the June 6 meeting. The capital markets seemed to be functioning quite well, with funds readily available. As indicated by the Account Manager, it had been found possible for the Desk to stay out of the longer-term market during the past two weeks and leave the market on its own.

Mr. Ellis expressed the opinion that the Committee should continue to encourage credit expansion by maintaining the present degree of availability of reserves. He would resolve doubts on the side of ease. He saw no need to change either the directive or the discount rate at this time, and he would favor continuing the special authorization covering operations in longer-term securities. In the latter regard, however, he would continue to favor the view expressed at the June 6 meeting looking toward gradual disengagement from System activities in the longer-term market.

Mr. Swan reported that few new significant Twelfth District economic data had become available during the past two weeks. Judging from preliminary data, nonfarm employment on the Pacific Coast was up slightly more than seasonally in May, but not enough to prevent a rise in the seasonally adjusted rate of unemployment from April to May. Looking ahead, if hiring plans in the major labor market areas in California were fulfilled, there would be a continued rise in nonfarm employment of more than seasonal proportions through the middle of July. Some employment cutbacks were anticipated in the aircraft industry in Southern California, but it appeared that these would be more than offset by gains in shipbuilding, metals, and other industries. These projections did not take into account present and potential labor disputes, including the current maritime dispute, or the possibility of a spread of interruptions in warehousing and trucking.

Mr. Swan went on to say that business loans of Twelfth District reporting banks continued to decline during the two weeks ended June 7, while real estate loans showed practically no change. Holdings of Government securities were up in total during those two weeks, with the increase in holdings of maturities under one year more than offsetting declines in the one to five year and over five year categories. Time deposits continued to rise. In June, District banks apparently were in a somewhat easier position than previously. After having been net purchasers of Federal funds in May, they were net sellers in each of the two weeks ended June 7 and June 14, respectively, although not by large amounts. There had been virtually no borrowing from the Reserve Bank in the past two weeks.

Turning to the national picture, Mr. Swan said it seemed that recovery was proceeding, but with no real push, at least as yet, in terms of increased consumer buying. Further, although there apparently had been a turnaround from inventory contraction to accumulation, no significant accumulation was evident, and there was no indication of any significant increase in the demand for bank credit. In such circumstances, there appeared to be room for considerable further encouragement of monetary expansion. To him this meant, as Mr. Ellis had indicated, that the Committee should continue on more or less the same basis as during the past two weeks, with, if anything, an edge toward ease. In terms of free reserves, he would think of a range from $500 to $600 million, possibly somewhat over $600 million, with the bill rate fluctuating, as had been the case recently, from about 2-1/4 to 2-3/8 per cent. He would not suggest a change in the directive at this time, and it seemed to him that the Committee should continue the special authorization to operate in longer-term securities.

Mr. Deming recalled having noted at the June 6 meeting that current evidence indicated slower growth prospects for the Ninth District than for the nation, but that the evidence might have been overly influenced by weather. The same statement could be made today, he said, but with a switch in emphasis. Agricultural prospects, which earlier were quite good, had deteriorated because of excessive dry weather, while nonagricultural activity had shown somewhat better than seasonal expansion, partly because of the weather. The current unemployment rate was more favorable than that for the nation. The major sector of weakness in the nonagricultural area continued to be the Iron Range. Up to June 1, ore shipments totalled just 5 million tons in contrast to 17.5 million tons shipped in the same period last year.

Differences in experience between city and country banks continued. City bank loans in early June were about the same as at year-end 1960, with commercial loans down a shade and total loans up a fraction. In the same period of 1960, loan expansion was fairly strong. At country banks, loans had continued to grow moderately in 1961 and were at new peak levels.

Mr. Deming said it seemed to him the evidence in today's chart show indicated that policy should continue about as it had over the past two weeks; that is, a policy with an edge toward ease. He would suggest no change in the directive or the discount rate, and he would continue the authorization to deal in longer-term securities.

Mr. Allen commented that the sharp rise in the industrial production index in April and May had eliminated all doubt about the mildness of the 1960 recession, if indeed recession was the proper term. Further, the recently released Government survey on capital spending indicated the most rapid turnabout in capital spending in the post-war period. Nevertheless, there remained considerable slack in the use of resources. Although employment would continue to rise gradually in most Seventh District centers, according to surveys of hiring plans, new unemployment claims were still running ahead of last year. In steel, optimism on future production was moderating somewhat. The announced price reductions in certain types of steel constituted evidence not only of local but also of foreign competition. And throughout the consumer hard good lines, even in television and portable radios where demand had been strongest, intense competition was apparent. The economist for the largest national retailer characterized sales in recent months as "lackadaisical," although consumers had responded well to special sales efforts.

In automobiles, Mr. Allen said, sales had been better than was expected early in the year. The latest estimate from Detroit sources was that sales of domestically produced cars in 1961 would total 5,600,000--2,750,000 in the first six months and 2,850,000 in the last six months. Production for the year was put at 5,500,000--2,700,000 in the first half and 2,800,000 in the last half. If these figures proved out, 1961 sales would be 9 per cent below 1960 and 1961 production would be 18 per cent below 1960. It was expected that by September 30 inventories of 1961 models would be pretty well cleaned up--in marked contrast with a year ago.

In agricultural areas of the Seventh District, the sign-up in the feed grain program had proved to be surprisingly high, with the corn acreage to be retired in Seventh District states ranging from 23 per cent in Iowa to 26 per cent in Indiana. The reduction in acreage was adversely affecting sales of fertilizer and farm machinery. However, the outlook for farm income for the rest of the year continued favorable, and deposits in agricultural area banks remained above a year ago.

Loans of weekly reporting banks declined more than $1 billion in the seven weeks ended June 7, of which Seventh District banks accounted for 23 per cent. Meanwhile, the reporting banks added further to their holdings of Government securities, and their portfolios became increasingly liquid. From May 3 to June 7, the reporting banks over the country reported increases of $1.5 billion in Governments maturing in less than a year. A striking contrast between the 1957-58 and the 1960-61 recessions was the obvious attempt to stay short in the recent period, with both city and country banks seeking to avoid becoming "locked in" by falling bond prices. Of course, the fact that short rates did not fall to the low levels reached in early 1958 made longer maturities relatively less attractive. Chicago central reserve city banks had an average basic surplus of $71 million in the week ended Wednesday, June 14, and all of the larger banks were net sellers of Federal funds.

The business picture seemed to him, Mr. Allen said, to provide a basis for cautious optimism, but no room for complacency. The rise in industrial production had been substantial. The outlook for farm income was favorable. The consumer was not spending as much as merchants would like, but he was saving. As Mr. Allen had suggested at the June 6 meeting, this seemed to him a desirable development unless and until the saving became extreme because of a fear pyschology. At the moment, the most serious problems in the areas to which the Committee devoted consideration appeared to be those of the Treasury, with so much debt on a short-term basis and with the need to raise additional new money.

For the next three weeks, Mr. Allen felt that monetary policy should continue as it had been conducted since the June 6 meeting. Free reserves seemed adequate and, as he had mentioned, the banks held short-term Governments in substantial amount. He saw nothing to do except to keep a watchful eye on the situation against the time, if it arrived, when continued improvement in the business situation brought increases in loan demands. He would not change the discount rate or the directive at this time, and, as in the past, he would favor discontinuance of the special authorization to conduct operations in longer-term securities.

Mr. Clay commented that the recovery movement in the national economy appeared to have progressed at a satisfactory pace in its early stages. Thus far, he noted, the impetus had been rather strongly concentrated in limited sectors of the economy. While some evidence of a broadening base of recovery was apparent, that phase of development was largely ahead. Monetary policy would need to do its share in facilitating the broadening of the recovery movement in order to attain a satisfactory level of resource utilization and economic activity.

Continuing, Mr. Clay observed that the existing directive called for open market operations with a view to encouraging expansion of bank credit and the money supply so as to contribute to strengthening the forces of recovery. That directive and operations in accordance with it appeared to him to be appropriate for the current period. This would call for a continuation of the policy of monetary ease. In view of the relatively modest credit expansion, the relatively high level of bank loan-deposit ratios, and the relatively high level of interest rates, the degree of ease, however, could in his opinion appropriately be increased somewhat.

In line with this policy, Mr. Clay said, the discount rate should not be changed. An increase obviously would not be consistent with present monetary policy. On the other hand, while the spread between the discount rate and the Treasury bill rate was substantial, a decrease in the discount rate would not be proper either in terms of the international situation or in terms of the stage of the business cycle.

As to the special authorization with respect to operations in longer maturities, Mr. Clay's opinion was that it should be renewed. Viewed as a temporary departure from the Committee's operating procedures, the trial period had been too short. Considering the stage of the business cycle at which the departure in operating techniques was instituted, outside critics would be justified, he thought, in contending that sufficient opportunity had not been afforded for passing judgment. This contention could be made despite the fact that some positive results had been derived from the Committee's modest use of this technique. In his view, moreover, this operating technique was one of the logical instrumentsfor the Committee's open market operations and should be retained in some form in any case. Assuming renewal of the special authorization, there remained the question referred to at the June 6 meeting by various phrases such as disengagement, withdrawal, and the like. It seemed preferable to him that such action not be taken. It might well be that under present circumstances transactions in longer maturities would be modest. Nevertheless, he felt that the technique should be employed in an endeavor to moderate the upward movement of interest rates in the longer maturities.

Mr. Wayne reported that business activity in the Fifth District showed no significant difference from the national trend.

Employment and production continued to improve. Automobile sales were relatively good in May, and sales of farm machinery were at a high level. Textile markets had gradually grown stronger, with some flurries of forward buying and a few scattered price increases. Insured unemployment continued to decline at a seasonal rate or better during May in North Carolina and West Virginia, the only States in the District for which reports were yet available. One "sour note" from the farm was that in recent weeks the price of broilers had fallen as low as eleven cents per pound, several cents below the cost of production and a record low price.

District banks continued in a comfortable position, although some banks had experienced sporadic seasonal pressure over the latest two weeks. As the result of a sharp loss of public funds by one of the larger banks, borrowings at the discount window rose to the highest level of the year, but they had now dropped back to a more normal figure. District banks were net buyers of Federal funds on most days of the latest period, but at steadily declining totals. Weekly reporting banks reduced their total investments somewhat, with the reduction about equally divided between Governments and other securities. Gross loans fell slightly, due chiefly to a greater-than-seasonal decline in business loans; most other loan categories showed about normal seasonal behavior.

With respect to policy, Mr. Wayne noted that the quarterly tax settlement date had passed and the Treasury's strip-bill venture had been completed with a minimum of disturbance in the market. This, along with declining bill rates, the very low Federal funds rate on several days during the past week, and the strong basic reserve position of New York banks during the week ending last Wednesday all indicated a substantial degree of ease.

The desirable strength in retail sales, residential housing, and business spending for plant and equipment had not yet been seen, nor was it at all certain that the current weakness in the stock market might not generate hesitations elsewhere. So long as demand lagged in important areas and so long as prices generally remained stable or moved down very slightly, as they had in recent weeks, Mr. Wayne felt the Committee should not reduce the degree of ease that had been the target for some time. He would like to see the bill rate near 2.30 per cent, the level of free reserves slightly over $500 million, and the Federal funds rate, on average, between 2 and 3 per cent. He saw no reason at this time to change the directive, the discount rate, or the special authorization to deal in longer-term securities.

Mr. Mills commented that the tone of the chart show presentation that launched today's discussion of policy considerations was to venture some predictions and projections as to financial and economic developments through the months to come. To him the most significant and illuminating of those projections was that although there might be extensive capital expenditures for plant improvement, the over-capacity existing in the country's industrial plant suggested an accumulation of internal resources in the period ahead that would not find employment. The conclusion he drew from this projection was that those accumulated resources would be put to use in retiring bank debt. If that were the case, the liquidation of bank debt would tend to be a drag on expansion of the money supply. That drag would be offset to a degree by the seasonal expansion of credit that one would normally anticipate, but his own guess was that this seasonal expansion would not be very extensive. If there was substance to this reasoning, it would appear that the main reliance on which to look for an increase in the money supply would have to be thoseoccasions on which the Treasury came to the market for new cash, at which times it would be incumbent on the Federal Reserve System to supply the reserves necessary to support those operations and permit the increase in the money supply that was desired.

In that sort of climate, Mr. Mills said, the Committee should be chary about being impatient regarding the lack of a normal growth in demand for credit. It should not, in its impatience, attempt to force feed the commercial banking system with reserves. The result would be only to produce an interest rate reaction on the downside that would be both unnecessary and unrealistic. Accordingly, it seemed to him that the posture of policy over the past two weeks was appropriate to present and nearby circumstances and could reasonably be continued, again avoiding any attempt to force feed the supply of reserves at the disposal of the commercial banks. Under those conditions, it was his feeling that there was no need to consider changing the discount rate or the policy directive. However, the Committee might want to watch thoughtfully the phrase in the directive relating to encouragement of expansion of the money supply. In his opinion, as he had indicated earlier, efforts to force an expansion of the money supply under the conditions that seemed to prevail at the present time could be quite unavailing and if the money supply, because of circumstances militating against its expansion, did not rise in response to System efforts, the directive was likely to be misunderstood when read at some future date.

In conclusion, Mr. Mills said that he would favor continuing the special authorization covering System operations in longer-term securities. At least temporarily, however, he felt that the implementation should be in terms of continuing to abstain from operations other than in the short end of the market.

Mr. Robertson expressed himself as pleased at the way in which open market operations had been conducted during the past two weeks. Also, he was pleased by the fact that so many who had spoken agreed that those operations had been good. He would not recommend changing the discount rate or the directive at this time, and for reasons he had expressed previously he would favor discontinuing the special authorization covering operations in longer-term securities.

Mr. Robertson then turned to the question of instructions given by the Committee to the Desk and presented the following statement, indicating that he hoped others would study the statement as well as the tables presented therewith:

All members of the Committee, I am sure, are abundantly aware of the difficulties of conveying a clear idea of intentions to the Account Manager, and also of the shortcomings that attach to reliance upon any single statistical indicator of the degree of ease or tightness one might have in mind. Under the pressures of wishing to be as concrete as possible, however, most of us keep returning (at least occasionally) to some expression of a desired free reserve range as a means of illustrating our intentions, "other things being equal." We try to make our comments loose enough to allow for vagaries in the relationships between the level of free reserves and the degree of ultimate monetary ease or tightness, but I think we may sometimes not fully recognize, either in foresight or in hindsight, some important factors which produce fairly systematic shifts in the likely expansive effects of any given level of free reserves. I have in mind particularly this morning the mid-month bulge in float. This factor often is mentioned in our discussions, but I doubt that enough allowance is made for its impact. As an indication of how great that impact might be, let me review the recent record.

Seasonally adjusted expansion of private deposits can be inferred from the movements in required reserves in ten out of the twenty reserve weeks since the end of January. How much free reserves did it take to achieve this expansion? In the weeks of monetary expansion which were characterized by low float, the average free reserve figure was only about $475 million; in expansive weeks when float was high but some monetary expansion was nonetheless achieved, the average free reserve figure was $600 million for the weeks from February on, and nearly $700 million if one were to include the January weeks as well.

I have some tables here which summarize these statistics, and I would like to place them in the record in order to permit more reflective and critical examination of them by others.[1/] I would not maintain for a moment that these differences are uniform, or that they would necessarily pertain for periods of strong credit demands. In addition, more should be done to allow for other factors in this process, such as the inflow of funds to the money centers from country banks near the end of their reserve periods, and possible leads and lags in stimulative or contractive effects. In the meantime, however, in current expressions regarding the management of the Account,

1/ The three tables are appended to these minutes as Attachment A

I suggest we might make a beginning by mentally adding or subtracting $75 million or so to the free reserve range which might otherwise be regarded as desirable, depending upon whether float is high or low. The results would still be far from precise, for we all know that the linkage of free reserves to monetary expansion is not a fixed one. So long as the credit climate continues to resemble the current one, however, I think that the allowances I have suggested would keep us closer to base than if we ignored such influences. More sophisticated and flexible adjustments for these influences are to be coveted, but I am disillusioned about our ability to keep making such adjustments individually on a subjective and ad hoc basis. I think the month of May provides a clear case in point, when free reserves, held within a $400-$500 million range in line with the Committee consensus, produced alternating tides of tightness and ease in the market which were closely associated with the float bulge, as well as the timing of country bank reserve period endings.

Accordingly, I would suggest, in view of the economic and financial conditions which have been outlined earlier, that our policy should continue to be one of ease, that operations should be conducted with a view to maintaining a free reserve range averaging around $550 million, but with recognition that such a range should probably be extended upward by as much as $75 million in the current week and perhaps also in the following week (with relatively high float expected), and reduced by $50-$75 million in the succeeding two July weeks (when we will have low float). I would add that in these weeks the Manager should aim for the different free reserve ranges I have specified with the usual allowance for the exercise of judgment to avoid undue money market ease or tightness.

Mr. Shepardson said that, particularly in view of the chart show that had been presented, he did not feel it necessary to comment to any extent on the economic situation. Generally speaking, it seemed to him this was a period to remain steady in the boat and to continue to provide needed reserves, although without attempting a forced-feeding operation. He would favor continuing the directive and the special authorization covering operations in longer-term securities, but he would look forward to disengagement from operations under the special authorization.

Mr. Fulton reported that business activity continued to expand in the Fourth District in early June, but with some loss of momentum in the steel industry and in other industries allied with manufacture of automobiles. At this time of year, he noted, there is usually a downturn in steel and automobile production, and the current lag was not as great as in other years. On the other hand, the current upturn started from a low base. Recent price cuts in some steel products are attributable to overcapacity and also to a recognition that under-cover price cuts had been occurring for some time. In addition, the steel companies recognize the substantial volume of imports, particularly in certain types of steel. However, the volume in those items that had been cut in price was rather small, and there was said to be no particular price weakness in sheets and strip, which are the backbone of steel output.

Mr. Fulton noted some general improvement in the unemployment problem, but added that there had been a small increase in insured unemployment in certain communities, mostly places dependent on the steel industry. There were indications that inventory liquidation had stopped at the moment. In addition to orders for immediate utilization, there appeared to be some ordering for the purpose of restoring inventories to normal working levels. It was felt that there might be some inventory accumulation starting in the latter part of the third quarter and continuing in the fourth quarter. Automobile sales were fairly good and department store sales equalled the year-ago figures during the latest weeks, although for the year to date they were still about two per cent under the comparable period a year ago. Both loans and investments of District banks had declined, with business loans down for the past 11 weeks.

Mr. Fulton said that he saw no reason to change the discount rate or the directive. He was quite pleased by the recent operations of the Account, even though reserves became rather plentiful on a couple of days for technical reasons. In his opinion, the same general degree of ease should be continued, with free reserves somewhere around $500-$550 million. He would favor continuation of the special authorization for operations in longer-term securities, and he would be favorable to the sale of securities other than bills from the Account as circumstances permitted. If the System was going into operations in the longer-term area, it seemed to him that it should operate on both the buying and selling sides. However, he would agree with the idea of as much disengagement as possible from operations in the longer-term area. He would not care to see a decline in the bill rate below present levels.

Mr. Bopp reported that business in the Third District continued to improve, but not rapidly. A tendency for the District to lag behind the country as a whole during upswings, observed in earlier periods, seemed to be at work again. Steel production and rail carloadings had decreased recently, and unemployment rates, as usual, were higher than the national average. In May, however, manufacturing employment in the District declined less than seasonally.

Two weeks ago, Mr. Bopp said, there was some indication of the beginning of an upward movement in bank loans. However, more recent data gave little support for this expectation. While reserve positions of District banks were far from tight, reserve city banks had been borrowing Federal funds and had been running a deficiency in basic reserve positions. Country banks continued to borrow moderate amounts at the discount window.

Mr. Bopp expressed the view that monetary policy should continue to be directed toward stimulating the economy. In fact, he would like to see even slightly more ease if this was necessary to induce expansion in the money supply and to offset any upward creep in market yields. If this should require somewhat higher figures of free reserves and further purchases of intermediate and long-term issues, he would not be disturbed. The recovery was proceeding, and he would want to be alert for the appearance of signs calling for less ease. However, until symptoms of inflationary pressure appeared, he felt the economy could well use the continued stimulus of monetary ease.

In conclusion, Mr. Bopp indicated that he would favor continuing both the present directive and the special authorization covering operations in longer-term securities.

Mr. Bryan said there were almost no new figures on the Sixth District to report at this time. Of the new figures that had become available, only two seemed worth mentioning. First, there had been a sharp upswing in bank debits. While this was rather hard to account for, the rise merely canceled out a preceding sharp downswing. Second, loans of member banks had gone up much more than the national average, and apparently a good deal more than seasonally.

Mr. Bryan went on to say that after studying the various reserve statistics he found himself concluding that the instruction to the Desk in terms of free reserves should be one of essentially no change. In other words, he would come out with free reserves in the range of $500-$550 million. He did not believe that the discount rate ought to be changed. As for the special authorization covering operations in longer-term securities, he would continue it, though with the hope that it would be exercised with restraint. Although he had not thought too much about the matter, his inclination at the moment would be to support the idea of selling intermediate and longer-term securities on occasion. If the System was going to buy securities in the intermediate and long-term areas, it would appear logical to sell in the same market if what seemed to be appropriate circumstances arose.

Mr. Johns commented that in the early part of June there apparently was some resumption of growth in the money supply. He hoped that this was no flash in the pan. Continuing, he pointed out that over the past two and one-half months, specifically from the last half of March to date, there had been practically no growth in the money supply. From the last half of March through the last half of May, there apparently had been a decline at an annual rate of a little less than 1/2 per cent, which contrasted rather sharply with the period from late November through late March, when the money supply increased at an annual rate of 4-1/2 per cent. If time deposits were included, the annual rate of growth was 9.1 per cent from November to March, compared with 4.6 per cent in the March-May period. That kind of behavior of the money supply at this stage of recovery was, as far as he could recall, unprecedented, at least in the postwar period. For more than eight months following both the 1953-54 and 1957-58 recessions, the money supply increased at a substantial rate, and at no time in those eight-month periods did the money supply fail to grow in successive months. It might be argued that either or both times the rate of growth was too large, but he doubted anyone would care to maintain that there should have been no growth at all. Judged by interest rate developments, it seemed to him the picture would be rather similar. These developments, together with the behavior of the money supply, might actually be characterized with some accuracy as a tightening. Since early May the bill rate had shown practically no change, although there is normally some decline at this time of the year, and yields on longer-term Government securities had increased.

Mr. Johns said he believed that growth in the money supply should be encouraged, and in such a way as to more than catch up for the lack of growth during the 2-1/2-month period to which he had referred. If in doing this the System could also restrain the rise in interest rates that might be expected to accompany economic recovery, that would not be an undesirable result. In terms of procedure, he suggested referring to the statistics contained in the staff memorandum on the outlook for member banks reserves that had been distributed prior to this meeting, with particular attention given to the column in table 2 on total reserves needed. These were the reserves needed, according to the projections, to provide for seasonal changes in private deposits and expected changes in Government deposits, with adjustments to be made, of course, if and when the projections for various factors did not work out. Accordingly, he would suggest that these figures be a guide, and that some allowance be made for modest growth. He did not know at what point such an increment might be regarded as forced feeding. Whatever that might be, he would not want to be quite that forceful. Nevertheless, he continued to believe that if the System desired some expansion of bank credit and the money supply, it was going to have to inject an amount of reserves reasonably calculated to bring about such expansion, through loans, if possible, and if not through investments.

Mr. Johns said that he would not favor changing the directive or the discount rate at this time. It would continue to be his preference that the special operations in longer-term securities be brought to a conclusion.

Mr. Balderston commented that he had a sense of satisfaction regarding the conduct of open market operations during the past two weeks and a feeling that continuation of the same degree of ease would be appropriate during the month of July, when the Treasury would be going to the market. There were two longer-run problems that he thought would plague the Open Market Committee. The first was the deficit spending on which the Federal Government had reembarked. The second was the pressure on the pound sterling.

Mr. Balderston said he would favor the implied suggestion of Mr. Rouse that the Desk sell intermediate-term securities from the Account, assuming this meant that any such sales would be integrated with System policy objectives and with Treasury operations at the particular time.

Chairman Martin said he liked to think, though it might only be a frame of mind, that monetary policy was more clearly on the right track at present than it had been for some time. He saw little need to go over the points that had been made at this meeting. Suffice it to say that the consensus was clearly for no change in the directive or the discount rate.

There were at least two dissents from renewing the special authorization to operate in longer-term securities, the Chairman noted, and there had been some further comments about disengagement from such operations. Personally, he would hope for a gradual disengagement. However, he felt that the Committee ought to renew the special authorization at this time and rely on the judgment of the Account Manager as to how to operate under it. In his opinion, the

Desk had conducted things well during the past several weeks, and he thought the Committee could afford to rely on the Manager's judgment to effect the indicated policy.

Chairman Martin also noted that, as at the June 6 meeting, reference had been made to resolving doubts on the side of ease. This, as he saw it, was again the consensus.

The Chairman then inquired whether there were further comments, and none were heard. He went on to say that he assumed Messrs. Allen and Robertson wished to be recorded as voting against continuation of the special authorization, and that Mr. Johns would like to have recorded in the minutes the views that he had expressed in this regard. The responses indicated that this was the desired procedure.

Thereupon, upon motion duly made and seconded, it was voted unanimously to direct the Federal Reserve Bank of New York until otherwise directed by the Committee:

(1) To make such purchases, sales, or exchanges (including replacement of maturing securities, and allowing maturities to run off without replacement) for the System Open Market Account in the open market or, in the case of maturing securities, by direct exchange with the Treasury, as may be necessary in the light of current and prospective economic conditions and the general credit situation of the country, with a view (a) to relating the supply of funds in the market to the needs of commerce and business, (b) to encouraging expansion of bank credit and the money supply so as to contribute to strengthening of the forces of recovery, while giving consideration to international factors, and (c) to the practical administration of the Account; provided that the aggregate amount of securities held in the System Account (including commitments for the purchase or sale of securities for the Account) at the close of this date, other than special short-term certificates of indebtedness purchased from time to time for

the temporary accommodation of the Treasury, shall not be increased or decreased by more than $1 billion;

(2) To purchase direct from the Treasury for the account of the Federal Reserve Bank of New York (with discretion, in cases where it seems desirable, to issue participations to one or more Federal Reserve Banks) such amounts of special short-term certificates of indebtedness as may be necessary from time to time for the temporary accommodation of the Treasury; provided that the total amount of such certificates held at any one time by the Federal Reserve Banks shall not exceed in the aggregate $500 million.

The Committee then authorized the Federal Reserve Bank of New York, between this date and the next meeting of the Committee, within the terms and limitations of the directive issued at this meeting, to acquire intermediate and/or longer-term U. S. Government securities of any maturity, or to change the holdings of such securities, in an amount not to exceed $500 million.

Votes for this action: Messrs. Martin, Balderston, Mills, Shepardson, Swan, Wayne, Johns, and Treiber. Votes against this action: Messrs. Allen and Robertson.

Chairman Martin referred at this point to the fact that there had been distributed to the members of the Committee copies of a letter addressed to him by Congressman Patman, Chairman of the Joint Economic Committee, under date of June 14, 1961, regarding certain open market records that had been requested of Chairman Martin and Mr. Rouse during the hearings before the Joint Committee on June 1 and 2, 1961. The principal request was for the full minutes of the Open Market Committee meetings held during the year 1960. Reference also was made to interpretative memoranda and notes taken or prepared by Mr. Rouse or any other members of the staffs of the Board and the New York Reserve Bank concerning the deliberations and policy decisions of the Open Market Committee, also for the calendar year 1960. A further request was for a description of all the factors which the Open Market Committee took into account on the last occasion when it instituted a policy of restraint, and a description of the factors which it took into account on the occasion of the immediately preceding meeting, prior to institution of a policy of restraint.

Chairman Martin noted that there had been some discussion at the Open Market Committee meeting on June 6 concerning the request of Congressman Patman for the 1960 minutes, which request was at that time in oral form. The Chairman then noted that three members of the Committee, Messrs. Hayes, Irons, and King, were not present today. Accordingly, he suggested that a determination of the response to be made to Congressman Patman's request be deferred until the next meeting of the Committee, scheduled for Tuesday, July 11.

Chairman Martin also commented that at the hearing on Friday, June 2, Congressman Patman had referred to him a series of 13 questions, based principally on the record of policy actions of the Federal Open Market Committee for the year 1960, as published in the Board's Annual Report for that year. The Chairman stated that drafts of replies to those questions were in process and that they would be distributed to the members of the Committee within the next few days for comments and suggestions, with a view to transmittal of the replies after the next meeting of the Committee.

There followed a general discussion relating to various aspects of the request for the 1960 minutes during which Chairman Martin suggested that consideration might be given at an appropriate time to the possibility of publishing the Open Market Committee minutes each year in conjunction with the publication of the Board's Annual Report. The broad problem, he pointed out, involved clearly the matter of the Committee's responsibility in the public interest and the best way to discharge that responsibility.

Ensuing comments reflected a divergence of preliminary views on the question of publishing the Committee's minutes, reasons being cited both for and against such a practice. Among other things it was noted, on the one hand, that such a procedure would have the advantage of making available to all interested parties, as opposed to a particular person or groups, a full exposition of the processes through which Committee policy determinations had been reached. A related result would be to lessen the possibility of material from the minutes being used out of context. On the other hand, it was suggested that such a procedure could have the effect of restraining freedom of expression at Committee meetings. Similarly, the minutes might tend to become more restricted in scope, thus affecting their usefulness for Committee purposes. Attention also was called to the problem of timing, a distinction being noted by those who spoke on this phase of the matter between the publication of relatively recent minutes and those for earlier periods. Release of recent minutes, it was suggested, could create problems in open market operations, or even from the standpoint of international relations, whereas the release of minutes for earlier periods could be quite useful in providing research material for scholarly purposes.

In reply to a question regarding a procedural suggestion that had been made at the June 6 meeting, Chairman Martin said that he had since that date discussed the request for the 1960 minutes with the Chairmen of the Banking and Currency Committees. It was his view, on the basis of his conversations, that it would be of doubtful wisdom to request those parties to intercede in the matter.

At certain points the discussion turned to the somewhat related question of publication of the record of policy actions of the Open Market Committee more frequently than on an annual basis, and tentative views both for and against such a procedure were expressed. One suggestion was that consideration might be given, in the alternative, to the periodic issuance by the System of somewhat less formal statements concerning policy actions taken during the preceding period. Another suggestion was that consideration might be given to quarterly publication of the record of policy actions, after a suitable time lag, with an accompanying article reviewing the economic background against which the actions were taken.

With more specific regard to the request of Congressman Patman that the 1960 minutes be made available for the use of the Joint Economic

Committee, a view was expressed that the Committee should consider carefully, before complying with such a request, whether a refusal to comply could not be justified on the grounds of possible injurious consequences, from the standpoint of Committee operations and the public interest, that might flow from use of the minutes for other than their intended purposes. Thus it was suggested that the response to the request, at least in the initial instance, might be in terms of setting out as comprehensively as possible the reasons why it was felt that the confidentiality of the minutes should be preserved. After presentation of this suggestion, it was indicated that if any member of the Committee cared to draft such a letter, that might be helpful to the Committee in its further consideration of the matter.

With respect to that portion of Congressman Patman's letter which referred to interpretative memoranda and notes taken or prepared by Mr. Rouse or other staff members of the Board or the New York Bank, Mr. Treiber commented that certain notes customarily were taken during Committee meetings by representatives of the New York Bank for supplementary guidance in the conduct of open market operations. These notes, he brought out, were not of comparable status to the minutes since the latter were subject to review and approval by all members of the Commit The reply by Chairman Martin, from which no dissent was heard, was to the effect that the question whether to furnish notes such as those referred to by Mr. Treiber would appear to be primarily a matter for determination by the New York Reserve Bank, and the Manager of the Syst

Account. The Chairman commented further that notes of various kinds might be prepared from time to time by members of the Committee for their own use; in his judgment they would fall into the category of personal material. Similarly, the synopses prepared by the Secretary of the Committee and transmitted to the Manager of the System Account immediately following each Committee meeting appeared to be in the nature of interim minutes. The minutes themselves were extensive, more so than the minutes of any other organization with which he had been associated. Therefore, he doubted whether other material of a personal or interim nature needed to be taken into account in considering Congressman Patman's request.

After further discussion which touched upon some of the aspects of the broad question of the extent to which material pertaining to various System functions should be made available to the public, Chairman Martin repeated his suggestion that a determination of the response to be made to Congressman Patman's letter of June 14 be deferred pending discussion at the next Open Market Committee meeting, and there was agreement with this suggestion.

It was agreed that the next meeting of the Federal Open Market Committee would be held on Tuesday, July 11, 1961.

The meeting then adjourned.

Ralph A. Young

Secretary

Attachment A

Table 1

Summary: Averages of Free Reserves in Periods of Monetary Expansion and Contraction 1/ February 1961 to Date

(In millions of dollars)

Weeks with	Weeks of: Monetary expansion	Weeks of: Monetary contraction
Low float	473	457
High float	600 (694)	517

1/ For details and definitions see Tables 2 and 3.

(Parentheses in this table enclose the average figures which would result if January 1961 data were also included.)

Table 2

Comparison of Free Reserves and Required Reserve Changes
in Weeks of Monetary Expansion
Daily Averages for Reserve Weeks
Year 1961 to Date
(In millions of dollars)

Type and date of reserve week	Average free reserves		Change in adjusted required reserves 1/	
	For each week listed	Average of weekly groupings	For each week listed	Average of weekly groupings
With low float: 2/				
2-1	482		+74	
5-31	522		+57	
4-5	428		+57	
3-29	521		+26	
5-10	411	473	+1	+43
With high float:				
3-1	629		+312	
1-25	957		+180	
3-22	454		+153	
4-26	694		+80	
6-14	584		+35	
4-19	638		+30	
1-18	757		+11	
1-4	838	694	+7	+101

Note.--Within each grouping, reserve weeks are listed according to size of increase in adjusted required reserves.

1/ Adjusted to exclude required reserve changes due to projected seasonal changes in private deposits of other than banks and actual changes in Government and interbank deposits.

2/ "Low float" was defined as a weekly average below \$1.2 billion in the months January-March and below \$1.1 billion in April-June. Float averages above cut-offs were classified as "high" float.

Table 3

Comparison of Free Reserves and Required Reserve Changes
in Weeks of Monetary Contraction
Daily Averages for Reserve Weeks
Year 1961 to Date
(In millions of dollars)

Type and date of reserve week	Average free reserves		Change in adjusted required reserves 1/	
	For each week listed	Average of weekly groupings	For each week listed	Average of weekly groupings
With low float: 2/				
5-3	405		-4	
6-7	509		-4	
3-15	586		-27	
2-8	389		-50	
2-15	449		-50	
4-12	529		-59	
3-8	333	457	-143	-48
With high float:				
5-24	501		-33	
5-17	428		-39	
2-22	618		-105	
1-11	521	517	-117	-74

Note.--Within each grouping, reserve weeks are listed according to size of decrease in adjusted required reserves.

1/ Adjusted to exclude required reserve changes due to projected seasonal changes in private deposits of other than banks and actual changes in Government and interbank deposits.

2/ "Low float" was defined as a weekly average below $1.2 billion in the months January-March and below $1.1 billion in April-June. Float averages above cut-offs were classified as "high" float.