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Xerox "work copies" be made available for inspection at the Board and the New York Bank during the period from mid-January until the time when the bound copies are available. A similar procedure was employed when the memoranda for 1962-1972 were released.

It is contemplated that release of the 1973 memoranda will be discussed by the Committee at the December meeting.

Attachment



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20561

December 6 , 1978

CONFIDENTIAL (FR)
CLASS II - FOMC

TO: Federal Open Market Committee SUBJECT: Passage recommended for
deletion when FOMC memoranda of
FROM: The Secretariat discussion for 1973 are initially
released

As you know, when the Committee's memoranda of discussion for the years 1962 through 1972 were released to the public a number of passages deemed to be "sensitive" were withheld. A prefatory note included with the memoranda for each of those years, shown in appendix A to this memorandum, explained that (1) deletions were made only for certain specified reasons, (2) the point at which each deletion occurred was noted, and (3) the general nature of the omitted material was indicated by footnote. The preface concluded with a statement that the deleted passages would be reviewed from time to time to determine whether they could be released.

On the assumption that the Committee would want to follow the same procedure when it released its 1973 memoranda of discussion, the staffs at the Board and the New York Bank have reviewed those memoranda for the purpose of identifying potentially sensitive passages. Parts

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of the memoranda also have been reviewed by a representative of the U. S. Treasury Department, Mr. Frederick Springborn.

As a result of this review, we recommend a deletion from page 50 of the memorandum for November 20, 1973, as shown in appendix B.^{1/} This deletion has been requested by the Bank of Japan.

Attachments

^{1/} When the memoranda for the full year are sent to the National Archives the words enclosed in brackets would be omitted and the footnote would be added.

APPENDIX A

(Text of note included at front of volume of FOMC minutes for each year in period from 1962 through 1972)

Prefatory note

Certain pages in the minutes of the Federal Open Market Committee for the years 1962 through 1972 have been replaced in the materials transmitted to the National Archives by substitute pages on which particular passages contained in the original minutes are deleted. In each such case, the point at which the deletion has been made is noted and the general nature or subject of the omitted passage is indicated by footnote.

Deletions have been made only for the following reasons:

1. The passage contains information relating to the affairs, policies, or views of particular foreign central banks or governments which they wish to have held in confidence at this time.
2. The passage contains comments about foreign countries, institutions, or individuals of such a nature that its release at this time was deemed not to be in the interest of good international relations.
3. The passage contains information of such a nature that, in the judgment of the U. S. Treasury Department, its release at this time would not be in the interest of the United States.
4. The passage contains information about the internal affairs of a named business organization.

It is anticipated that the originals of all pages for which substitutes have been introduced will be reviewed from time to time to determine whether they can be released.

Appendix B

Passage recommended for deletion

1973

11/20/73

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Desk purchased gross about \$1 billion of Treasury bills from foreign accounts, including some at times when projections indicated no need to provide reserves. Any unwanted reserve impact was avoided by other actions, however, including sales of over \$300 million to other foreign accounts and the run-off of \$900 million of System holdings of Treasury bills in the weekly auction.

Japan, as you know, has suffered heavy losses in the exchange market, and despite large reserves, had virtually exhausted its holdings of Treasury bills and short-term Treasury specials. We have been asked to build up the liquidity of the account by selling some of their coupon holdings. Last Thursday and Friday--with a large reserve need indicated for the statement week--the System purchased \$500 million of such securities directly from the Bank of Japan. Yesterday we sold about \$150 million of coupon securities for Japan with surprisingly little initial market reaction. Should we have to repeat this process frequently, however, a sizable reaction could develop. The markets remain quite sensitive as they watch developments in the monetary aggregates and the Federal funds rate, try to guess at the course of System policy, worry about foreign sales of securities, and try to assess the implication of the energy crisis for the economy and for financial markets. We shall probably have to continue to be quite flexible in our approach to markets in the period ahead.

The Treasury is, as you know, vulnerable to substantial and unpredictable cash drains if the dollar gains further strength in the exchange market. It is particularly vulnerable in the absence of legislation permitting direct lending to the Treasury by the System. The Treasury should (at least when the debt ceiling is not a constraint--as it is at the moment) run its cash balance on the high side. We have been working with the Treasury to devise means of raising money in a hurry if unexpected needs arise. I believe we have made progress on that score.

In reply to questions by Mr. Bucher, Mr. Holmes said that the Japanese monetary authorities now held about \$5.5 billion of U.S. Government coupon issues and \$1-1/2 billion of 1/ [agency issues.]

1/ Part of a sentence has been deleted at this point for one of the reasons cited in the preface. The deleted material described the type of holdings.