NOTE: This transcript of the Secretary's notes is not to be regarded as complete or necessarily entirely accurate. The transcript is for the sole use of the members of the Federal Advisory Council.

H.V.P.
W.J.K.

The Secretary's notes of the meeting of the Federal Advisory Council on November 18, 1968, at 9:30 A.M. in the Board Room of The Madison, Washington, D.C. All members of the Federal Advisory Council were present except Mr. George S. Moore. Mr. George A. Murphy, Chairman, Irving Trust Company, New York, New York, had planned to attend as Alternate for Mr. Moore, but got the flu and was unable to be present. Mr. John E. Gray, President, First Security National Bank, Beaumont, Texas, who will represent the Eleventh Federal Reserve District as a member of the Federal Advisory Council for 1969, also was present.

The Council approved the Secretary's notes for the meeting of September 16-17, 1968.

The President of the Council reported that the poll of the members of the Council on alternative meeting dates revealed that no one date from among the choices available was acceptable to all members of the Council. It was also pointed out that scheduling meetings on any day of the week other than Monday and Tuesday would require an additional day for traveling for those who live some distance from Washington. It was agreed that President Mayer would so report to the Board of Governors and suggest that the present dates appeared to be more satisfactory to most people.

President Mayer suggested the Council first consider those items on the Agenda which involve proposed regulations and which are detailed and highly technical. It also was agreed that any memoranda the members might have on these items be submitted directly to the Board or through their local Federal Reserve banks and that the Council's discussion be limited to broad general observations.

ITEM IV

THE BOARD WOULD BE INTERESTED IN ANY COMMENTS COUNCIL MEMBERS MIGHT HAVE ON THE DRAFT OF THE PROPOSED REGULATION TO IMPLEMENT THE TRUTH IN LENDING TITLE OF THE CONSUMER CREDIT PROTECTION ACT THAT WAS PUBLISHED ON OCTOBER 16.

President Mayer read Item IV. There was a brief discussion which disclosed that all members of the Council were dismayed at the length and great detail of the proposed regulation. There was wide agreement that it would have been preferable if the regulation could have been written in more general terms and substantially reduced in length.

ITEM VI

THE BOARD WOULD BE INTERESTED IN ANY COMMENTS COUNCIL MEMBERS MIGHT HAVE ON THE DRAFT OF THE BOARD'S PROPOSED REGULATION TO IMPLEMENT THE BANK PROTECTION ACT OF 1968 THAT HAS BEEN RELEASED FOR PUBLICATION ON NOVEMBER 8.

The President of the Council then read Item VI. The Council briefly discussed the proposed regulation and concluded that it should be written in the form of broad guidelines. The guide lines would permit flexibility dictated by size, location, and other factors, rather than prescribe detailed, technical, protective and security measures required of every bank. It also was suggested that bankers be required to advise the authorities that their protective measures do comply with the guidelines. Several members of the Council stated that the appropriate staff personnel in their institutions would make suggestions directly to the Board or to their local Federal Reserve banks.

ITEM I A

ECONOMIC CONDITIONS AND PROSPECTS.

A. HOW DOES THE COUNCIL APPRAISE THE GENERAL ECONOMIC OUTLOOK FOR LATE 1968 AND EARLY 1969? ARE THERE ANY INDICATIONS THAT THE MID-YEAR TAX INCREASE IS AFFECTING CONSUMER SPENDING OR BUSINESS POLICIES AND PLANS, OR THAT THE MEASURES WITH RESPECT TO LIMITATIONS ON GOVERNMENT SPENDING ARE HAVING AN IMPACT?

President Mayer read Item I A. A brief discussion followed. It disclosed a fairly uniform expectation that economic activity and the level of business in general will continue to rise in the weeks ahead and in the early months of 1969, but that the rate of growth will lessen. It was acknowledged that there is little persuasive evidence that the midyear tax increases has yet significantly affected consumer spending or business policies and plans. However, most members of the Council believe that the tax increase will tend to moderate both consumer spending and business investment. A few members indicated that the limitations on government spending are having an impact in some areas, but this is tending to be obscured by other expanding forces.

ITEM I B

B. WHAT INDICATIONS DO COUNCIL MEMBERS HAVE FROM CUSTOMER CONTACTS REGARDING CAPITAL INVESTMENT SPENDING IN THE YEAR AHEAD? IS MORE OR LESS EXTERNAL FINANCING THAN RECENTLY LIKELY TO BE REQUIRED FOR SUCH SPENDING?

The President of the Council then read Item I B. All but two of the members of the Council have the impression from their customer contacts that capital investment spending in the year ahead will increase moderately or show no significant change. Members from the first and eighth districts have the impression that capital spending will show some decline. It was concluded that the level of external financing would not change appreciably in the year ahead.

ITEM II A

BANKING DEVELOPMENTS.

A. WHAT IS THE COUNCIL'S ASSESSMENT OF THE PROBABLE STRENGTH OF BUSINESS LOAN DEMAND IN THE MONTHS AHEAD? WHAT KINDS OF CUSTOMER REACTIONS HAVE DEVELOPED TO THE PREVAILING "SPLIT" PRIME RATE?

President Mayer read Item II A. Most members of the Council expect business loan demand to show greater than seasonal strength through the remainder of the year. As the more restrictive fiscal policy begins to have a greater impact, some members believe there will be a modest slowing of loan demand in the first half of 1969. It was agreed that there was little reaction to the "split" prime rate, reflecting in part the narrowness of the spread.

ITEM II B

B. IN VIEW OF THE PROSPECTS FOR EXCEPTIONALLY HEAVY MORTGAGE LOAN DEMAND, ESPECIALLY IN THE INCOME-PROPERTY AREA, DOES THE COUNCIL BELIEVE THAT BANKS WILL SIGNIFICANTLY INCREASE THEIR TAKINGS OF MORTGAGES IN 1969?

The President of the Council read Item II B. He observed that because of the persistence of the relatively strong demand for credit, and the more than seasonal volume of "carve out loans," he was doubtful that mortgage loans would increase appreciably. The subsequent discussion disclosed, however, that the Council was about equally divided. Those who expected that mortgage takings by banks would increase in 1969 cited the growing commitment of commercial banks to urban rehabilitation.

ITEM II C

C. WHAT IS THE COUNCIL'S VIEW REGARDING CURRENT AND PROSPECTIVE INFLOWS OF CONSUMER-TYPE TIME DEPOSITS? HAS THE TAX INCREASE HAD ANY NOTICEABLE EFFECT ON SUCH FLOWS?

President Mayer read Item II C. The discussion disclosed that consumer-type deposits are continuing to increase but only at a moderate rate and that most members of the Council look for little or no improvement in the months ahead. Several cited the increase in Social Security taxes beginning in January and the adjustment in the surtax liability because of insufficient withholdings. The Council is inclined to attribute the reduction in the inflow of consumer-type time deposits to the tax increase.

ITEM II D

D. HOW WOULD THE COUNCIL ASSESS THE EXPERIENCE OF MEMBER BANKS THUS FAR WITH THE NEW METHODS OF COMPUTING RESERVE REQUIREMENTS UNDER THE AMENDMENT TO REGULATION D THAT BECAME EFFECTIVE SEPTEMBER 12, 1968?

The President of the Council read Item II D. The Council was unanimous in their judgment that bankers generally have been favorably impressed with the new procedure for computing reserve requirements despite the fact that all banks have not completely adjusted to the new method.

ITEM II E

E. WHAT RESPONSE, IF ANY, IN BANKER PLANS HAVE COUNCIL MEMBERS OBSERVED TO THE BOARD'S REACTION ALLOWING STATE MEMBER BANKS TO OWN AND OPERATE CERTAIN KINDS OF SUBSIDIARY CORPORATIONS AND LOAN PRODUCTION OFFICES?

President Mayer read Item II E. It was agreed that the recent decision by the Board liberalizing the operations of state member banks was welcomed by the vast majority of bankers. The authorities in several state, however, have ruled that these offices constitute branches which has limited the impact of the ruling.

ITEM II F

F. WHAT COMMENTS OR SUGGESTIONS DO COUNCIL MEMBERS HAVE REGARDING REGULATORY PROVISIONS THE BOARD MIGHT ISSUE IN IMPLEMENTATION OF THE RECENTLY ENACTED LEGISLATION CONCERNING REGULATIONS OF ADVERTISING OF RATES OF INTEREST ON DEPOSITS?

President Mayer read Item II F. The members of the Council were again uniform in urging that the proposed regulations provide general guidelines rather than lengthy, detailed requirements. In the Council's judgment, the objective should be to prevent the use of statements which may mislead the public. Bankers in general also strongly believe that similar regulations should be applicable to all savings and thrift institutions.

ITEM III A

BALANCE OF PAYMENTS

A. HOW DOES THE COUNCIL APPRAISE THE OUTLOOK FOR THE REMAINDER OF THE YEAR FOR (1) DEMANDS FOR EURO-DOLLAR LOANS AT FOREIGN BRANCHES OF U. S. BANKS, (2) EURO-DOLLARS ADVANCED BY BRANCHES TO HOME OFFICES, AND (3) DIRECT BORROWINGS FROM FOREIGN BANKS BY U. S. BANKS (I.E., NOT THROUGH FOREIGN BRANCHES)?

President Mayer read Item III A. The Council anticipates a seasonal increase in the demand for Euro-dollar loans at foreign branches of U. S. banks, reflecting in part year-end borrowing by U. S. corporations as they adjust their direct investment positions. Changes in the volume of Euro-dollars advanced by branches to home offices as well as direct borrowings from foreign banks by U. S. banks will be largely determined by the relative costs of these funds vis-a-vis other sources. The relative tightness of U. S. money markets will also be a factor. If conditions remain about what they are today, the Council does not anticipate the volume of these advances or borrowings to change appreciably during the remaining weeks of the year.

ITEM III B

B. DO COUNCIL MEMBERS HAVE ANY COMMENTS OR SUGGESTIONS WITH RESPECT TO A VOLUNTARY FOREIGN CREDIT RESTRAINT PROGRAM FOR 1969?

The President of the Council read Item III B. A brief discussion followed. The Council concluded that it would urge

(1) the exclusion of export finance from the guidelines and (2) the further easing of the program for 1969 with the objective of eliminating the program as soon as possible.

## ITEM V

THE BOARD WOULD APPRECIATE HAVING THE VIEWS OF THE COUNCIL MEMBERS AS TO THE PROSPECTS FOR ANY LEGAL OR OTHER PROBLEMS SEEN IN THE FORMATION OF COMMUNITY DEVELOPMENT CORPORATIONS OR SIMILAR ARRANGEMENTS (EITHER BY INDIVIDUAL BANKS, GROUPS OF BANKS, OR BANKS AND OTHER INSTITUTIONS) FOR THE PURPOSE OF EXTENDING FINANCING OR REAL ESTATE DEVELOPMENT ASSISTANCE TO BUSINESSES AND CONSUMERS IN THE ECONOMICALLY DISADVANTAGED AREAS OF CITIES.

The President of the Council read Item V. The brief discussion which followed disclosed that although the experience of the Council members varied, none had experienced important legal problems in their participation with community development corporations. It was acknowledged that bankers generally are cooperating in this effort and are working closely with the Urban Affairs Committee of the ABA.

## ITEM VII

WHAT ARE THE COUNCIL'S VIEWS ON MONETARY AND CREDIT POLICY UNDER CURRENT CIRCUMSTANCES?

President Mayer read Item VII. The Council believes that a policy of monetary and credit restraint is appropriate because of the persistence of the strength in demand and the resulting continued upward pressure on prices. Because of the lag between changes in fiscal policy and their impact on economic activity, the Council believes a policy of moderate restraint should be continued until there is clear evidence that inflationary pressures have lessened.

The meeting adjourned at 12:15 P.M.

THE COUNCIL CONVENED IN THE BOARD ROOM OF THE FEDERAL RESERVE BUILDING, WASHINGTON, D.C., AT 2:30 P.M., ON NOVEMBER 18, 1968. ALL MEMBERS OF THE COUNCIL WERE PRESENT EXCEPT MR. GEORGE S. MOORE. MR. JOHN E. GRAY ALSO WAS PRESENT.

Mr. Daniel H. Brill, Director, Division of Research and Statistics, and other members of the Board's staff discussed the economic outlook through mid-1969.

* * * *

THE COUNCIL RECONVENED AT 5:30 P.M., ON NOVEMBER 18, 1968 IN THE BOARD ROOM OF THE MADISON. ALL MEMBERS OF THE COUNCIL WERE PRESENT EXCEPT MR. GEORGE S. MOORE. MR. JOHN E. GRAY ALSO WAS PRESENT.

The Council prepared and approved a Confidential Memorandum to be sent to the Board of Governors for the joint meeting of the Council and the Board on November 19, 1968. The Memorandum was delivered to the Federal Reserve Building at 7:15 P.M.

The meeting adjourned at 6:35 P.M.

CONFIDENTIAL

MEMORANDUM TO THE BOARD OF GOVERNORS
FROM THE
FEDERAL ADVISORY COUNCIL
RELATIVE TO THE AGENDA FOR THE JOINT MEETING
ON NOVEMBER 19, 1968

1. Economic conditions and prospects.

A. How does the Council appraise the general economic outlook for late 1968 and early 1969? Are there any indications that the mid-year tax increase is affecting consumer spending or business policies and plans, or that the measures with respect to limitations on government spending are having an impact?

The Council expects economic activity and the level of business in general to continue to rise in the weeks ahead and in the early months of 1969, but that the rate of growth will lessen. There is little persuasive evidence that the midyear tax increase has yet significantly affected consumer spending or business policies and plans. However, most members of the Council believe that the tax increase will tend to moderate both consumer spending and business investment. There is some evidence, though it tends to be somewhat obscured, that the limitations on government spending are having an impact in some areas.

B. What indications do Council members have from customer contacts regarding capital investment spending in the year ahead? Is more or less external financing than recently likely to be required for such spending?

Customer contacts of most of the Council members suggest that capital investment spending in the year ahead will increase moderately or show no significant change. Council members from two districts expect capital investment spending to show some decline.

No major change in the level of external financing is expected in the year ahead.

2. Banking developments.

A. What is the Council's assessment of the probable strength of business loan demand in the months ahead? What kinds of customer reactions have developed to the prevailing "split" prime rate?

Most members of the Council expect business loan demand to show greater than seasonal strength through the remainder of the year. As the more restrictive fiscal policy begins to have greater impact, some members of the Council believe that there will be a modest slowing of loan demand in the first half of 1969.

In general, because the spread was so small, there was little reaction to the "split" prime rate.

B. In view of the prospects for exceptionally heavy mortgage loan demand, especially in the income-property area, does the Council believe that banks will significantly increase their takings of mortgages in 1969?

A majority of the members of the Council believe that banks will not significantly increase their takings of mortgages in 1969. However, several members of the Council indicated that mortgage takings by banks would increase in 1969, particularly in view of the growing commitment of commercial banks to urban rehabilitation.

C. What is the Council's view regarding current and prospective inflows of consumer-type time deposits? Has the tax increase had any noticeable effect on such flows?

Consumer-type time deposits continue to increase but only at a moderate rate, and most members of the Council look for little or no improvement in the months ahead. The factors accounting for this opinion include the increase in Social Security taxes beginning January 1 and the adjustment in the surtax liability because of insufficient withholdings. The Council believes that the tax increase has resulted in some reduction in the inflow of consumer-type time deposits.

D. How would the Council assess the experience of member banks thus far with the new methods of computing reserve requirements under the amendment to Regulation D that became effective September 12, 1968?

Although all member banks have not completely adjusted to the new methods of computing reserve requirements under the amendment to Regulation D, the Council believes that bankers generally have been favorably impressed with the new procedure.

E. What response, if any, in banker plans have Council members observed to the Board's reaction allowing State member banks to own and operate certain kinds of subsidiary corporations and loan production offices?

The Council believes that the Board's decision to allow State member banks to own and operate certain kinds of subsidiary corporations and loan production offices was welcomed by the vast majority of bankers. There have been some differences in the interpretation by State authorities as to whether these offices constitute branches which have limited the impact of the ruling.

F. What comments or suggestions do Council members have regarding regulatory provisions the Board might issue in implementation of the recently enacted legislation concerning regulation of advertising of rates of interest on deposits?

The members of the Council have no specific suggestions to the Board regarding regulatory provisions to be issued in implementation of the recently enacted legislation concerning regulation of advertising of rates of interest on deposits. However, the Council would urge that the regulations provide general guidelines rather than lengthy, detailed requirements. The objective should be to prevent the use of statements which may mislead the public. Bankers in general strongly believe that similar regulations should be applicable to all savings and thrift institutions.

3. Balance of Payments.

A. How does the Council appraise the outlook for the remainder of the year for (1) demands for Euro-dollar loans at foreign branches of U.S. banks, (2) Euro-dollars advanced by branches to home offices, and (3) direct borrowings from foreign banks by U.S. banks (i.e., not through foreign branches)?

(1) The Council anticipates a seasonal increase in the demand for Euro-dollar loans at foreign branches of U.S. banks, reflecting in part year-end borrowing by U.S. corporations as they adjust their direct investment positions. (2) and (3) Changes in the volume of Euro-dollars advanced by branches to home offices, as well as direct borrowings from foreign banks by U.S. banks (i.e., not through foreign branches), will be largely determined by the relative cost of these funds vis-a-vis other sources. The relative tightness of the U.S. money markets will also be

a factor determining the volume of these transactions. If conditions remain about what they are today, the amount of Euro-dollars advanced by branches to home offices or direct borrowings from foreign branches are not likely to change appreciably during the remainder of this year.

B. Do Council members have any comments or suggestions with respect to a voluntary foreign credit restraint program for 1969?

The members of the Council would favor (1) the exclusion of export financing from the guidelines, and (2) the further easing of the voluntary foreign credit restraint program for 1969, with the objective of eliminating the program as soon as possible.

4. The Board would be interested in any comments the Council members might have on the draft of the proposed regulation to implement the Truth in Lending Title of the Consumer Credit Protection Act that was published on October 16.

The Council believes that the appropriate staff personnel in the larger banks have submitted comments on the draft of the proposed regulation to implement the Truth in Lending Title of the Consumer Protection Act. Some members of the Council are today submitting additional memoranda on this subject to the Secretary of the Board.

The members of the Council were dismayed at the length and great detail of the proposed regulation. In the Council's judgment it would have been preferable if the regulation could have been written in more general terms and substantially reduced in length.

5. The Board would appreciate having the views of the Council members as to the prospects for any legal or other problems seen in the formation of community development corporations or similar arrangements (either by individual banks, groups of banks, or banks and other institutions) for the purpose of extending financing or real estate development assistance to businesses and consumers in the economically disadvantaged areas of cities.

The experience of the Council members on the formation of community development corporations or similar arrangements for financing businesses and consumers in the economically disadvantaged areas of cities has disclosed no important legal problems.

Bankers generally over the country are cooperating in this effort, and broadening their participation. The Urban Affairs Committee of the ABA is aggressively encouraging banks in this activity.

6. The Board would be interested in any comments Council members might have on the draft of the Board's proposed regulation to implement the Bank Protection Act of 1968 that has been released for publication on November 8.

The Council believes that it would be preferable if the Board's regulation to implement the Bank Protection Act of 1968 were written in the form of broad guidelines. These guidelines would permit flexibility dictated by size, location and other factors, rather than prescribe detailed technical protective and security measures required of every bank. Individual banks would be expected to report only that they are in general compliance with the regulation.

Some members of the Council have asked appropriate staff personnel in their institutions to comment in writing directly to the Board or through their local Federal Reserve banks.

7. What are the Council's views on monetary and credit policy under current circumstances?

The Council believes that a policy of monetary and credit restraint is appropriate because of the persistence of the strength of demand and the resulting continued upward pressure on prices. There has been a lag between changes in fiscal policy and their impact on economic activity. The Council, therefore, believes that a policy of moderate restraint should be continued until there is clear evidence that inflationary pressures have lessened.

ON NOVEMBER 19, 1968, AT 10:30 A.M., THE FEDERAL ADVISORY COUNCIL HELD A JOINT MEETING WITH THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM IN THE FEDERAL RESERVE BUILDING, WASHINGTON, D.C. ALL MEMBERS OF THE COUNCIL WERE PRESENT EXCEPT MR. GEORGE S. MOORE. MR. JOHN E. GRAY ALSO WAS PRESENT.

THE FOLLOWING MEMBERS OF THE BOARD OF GOVERNORS WERE PRESENT: CHAIRMAN WM. McMARTIN, JR., VICE CHAIRMAN ROBERTSON; GOVERNORS MITCHELL, MAISEL AND SHERRILL. MR. ROBERT C. HOLLAND, SECRETARY, MR. KENNETH A. KENYON, DEPUTY SECRETARY, AND MRS. SEMIA, TECHNICAL ASSISTANT, ALSO WERE PRESENT.

The minutes of the joint meeting are being prepared in the office of the Secretary of the Board of Governors of the Federal Reserve System. Their content will be compared with the notes of the Secretary of the Council. Assuming they are in substantial agreement, they will be reproduced and distributed to the members of the Council.

The meeting adjourned at 12:20 P.M.

* * * *

The next meeting of the Council will be held on February 17-18, 1969.

A meeting of the Board of Governors of the Federal Reserve System with the Federal Advisory Council was held in the Board Room of the Federal Reserve Building in Washington, D. C., at 10:30 a.m. on Tuesday, November 19, 1968

PRESENT: Mr. Martin, Chairman
Mr. Robertson, Vice Chairman
Mr. Mitchell
Mr. Maisel
Mr. Sherrill

Mr. Holland, Secretary
Mr. Kenyon, Deputy Secretary
Mrs. Semia, Technical Assistant, Office of the Secretary

Messrs. Simmen, Still, Mayer, Wilkinson, Craft, Kennedy, Fox, Nason, Conn, Stewart, and Larkin, Members of the Federal Advisory Council from the First, Third, Fourth, Fifth, Sixth, Seventh, Eighth, Ninth, Tenth, Eleventh, and Twelfth Federal Reserve Districts, respectively

Mr. John E. Gray, Member-elect of the Federal Advisory Council from the Eleventh District

Mr. Prochnow, Secretary of the Council
Mr. Korsvik, Assistant Secretary of the Council

Chairman Martin noted that Messrs. Simmen, Still, and Stewart would conclude their service on the Council at the end of this year and, on behalf of the Board, expressed appreciation for their contributions.

1. Economic conditions and prospects.

A. How does the Council appraise the general economic outlook for late 1968 and early 1969? Are there any indications that the midyear tax increase is affecting consumer spending or business policies and plans, or that the measures with respect to limitations on Government spending are having an impact?

The Council expects economic activity and the level of business in general to continue to rise in the weeks ahead and in the early months of 1969, but that the rate of growth will lessen. There is little persuasive evidence that the midyear tax increase has yet significantly affected consumer spending or business policies and plans. However, most members of the Council believe that the tax increase will tend to moderate both consumer spending and business investment. There is some evidence, though it tends to be somewhat obscured, that the limitations on Government spending are having an impact in some areas.

In response to a question, President Mayer said there were no substantial differences of views within the Council regarding the answer that had been given.

Chairman Martin inquired whether it was believed that the slowdown, if it came, would occur as early as the Christmas season. President Mayer responded that he would not be prepared to pinpoint the time. Some members of the Council, he said, were inclined to expect a later emergence of the slowdown than others. In his own view, it would come later than the Christmas period.

Mr. Conn said he did not believe there would be any significant slowdown for the first few months of 1969; too much needed to be done and demands were too strong.

Mr. Larkin remarked that it was hard to believe that factors such as the shift in Government receipts and expenditures and the coming increase in Social Security taxes would not have an impact. However, his own view was that a slowdown would not occur until well into 1969.

Mr. Kennedy noted the tremendous inflationary pressures present in the economy. Nevertheless, it seemed reasonable to believe that the fiscal actions taken would have some effect in reducing the rate of growth. It was important to bear in mind that what was being talked about was not a contraction but a moderation of the rate of growth. As for timing, some gloominess in the period after the first of the year was usual, and there were uncertainties in terms of changes that would occur, such as the coming into office of a new Administration.

B. What indications do Council members have from customer contacts regarding capital investment spending in the year ahead? Is more or less external financing than recently likely to be required for such spending?

Customer contacts of most of the Council members suggest that capital investment spending in the year ahead will increase moderately or show no significant change. Council members from two districts expect capital investment spending to show some decline.

No major change in the level of external financing is expected in the year ahead.

Mr. Simmen commented that he was one of the members who expected a decline in capital investment spending, this view being based on a survey of more than 500 manufacturing firms in New England that accounted for 24 per cent of total manufacturing employment. That survey suggested a decline next year in the order of 5 per cent. Mr. Fox was identified as the other member who believed capital spending would decline.

Mr. Craft said that an increase in the level of external financing appeared likely in Birmingham and Atlanta, which were experiencing rapid growth. Elsewhere in the District such a trend was not foreseen.

2. Banking developments.

A. What is the Council's assessment of the probable strength of business loan demand in the months ahead? What kinds of customer reactions have developed to the prevailing "split" prime rate?

Most members of the Council expect business loan demand to show greater than seasonal strength through the remainder of the year. As the more restrictive fiscal policy begins to have greater impact, some members of the Council believe that there will be a modest slowing of loan demand in the first half of 1969.

In general, because the spread was so small, there was little reaction to the "split" prime rate.

President Mayer commented that few banks of any consequence had departed from the generally prevailing prime rate.

Chairman Martin inquired whether there was any feeling that split rates might recur, and responses indicated that if there should be a recurrence it probably would be of relatively short duration.

President Mayer added that although some people professed to believe that the prime rate was a thing of the past, he did not subscribe to that view. Such a device was necessary, for example, in order to set up a revolving credit that converted to a term loan.

> B. In view of the prospects for exceptionally heavy mortgage loan demand, especially in the income-property area, does the Council believe that banks will significantly increase their takings of mortgages in 1969?

> A majority of the members of the Council believe that banks will not significantly increase their takings of mortgages in 1969. However, several members of the Council indicated that mortgage takings by banks would increase in 1969, particularly in view of the growing commitment of commercial banks to urban rehabilitation.

President Mayer said that the Council had been about evenly divided, five members present feeling that banks would increase their mortgage takings in 1969, particularly in view of the growing commitment of banks to urban rehabilitation. This was an undertaking toward which all of the banks with which Council members were associated appeared to feel a deep responsibility. The American Bankers Association, through a special committee, was doing a good job in making banks aware of the job to be done.

In response to a question by Governor Mitchell, President Mayer said he did not believe those members who expected greater takings of mortgages predicated that view on the prospect of a relative weakness of loan demand.

Governor Mitchell inquired whether it might not be expected, however, that the share of the mortgage market held by banks would tend to creep up in reflection of a more aggressive attitude engendered by rate influences.

Mr. Still commented that it was true, at his bank, that improved rates were beginning to make mortgages a more attractive investment. They had become about as desirable as tax-exempt securities. Other Council members agreed, but in terms that mortgages were now just barely competitive with tax-exempts. Mr. Simmen remarked that if there was a reduction in Treasury borrowing and less demand for bank credit, some additional funds should be freed for the mortgage market.

Mr. Kennedy said that his bank had continued to increase its mortgage loans, even when mortgage rates were not particularly attractive, because of its policy to support that field, especially in terms of urban properties. Now that better rates prevailed, mortgages were a much more attractive investment, but the bank's policy was one that continued regardless of rates.

Governor Maisel observed that the most notable surge in the last six months had been in tax-exempt securities, and Mr. Kennedy expressed the view that that was where the bulk of the funds would go if there was an easing of loan demand. The heavy volume of issues coming to market would tend to keep rates up.

C. What is the Council's view regarding current and prospective inflows of consumer-type time deposits? Has the tax increase had any noticeable effect on such flows?

Consumer-type time deposits continue to increase, but only at a moderate rate, and most members of the Council look for little or no improvement in the months ahead. The factors accounting for this opinion include the increase in Social Security taxes beginning January 1 and the adjustment in the surtax liability because of insufficient withholdings. The Council believes that the tax increase has resulted in some reduction in the inflow of consumer-type time deposits.

There was no significant discussion of this topic.

D. How would the Council assess the experience of member banks thus far with the new methods of computing reserve requirements under the amendment to Regulation D that became effective September 12, 1968?

Although all member banks have not completely adjusted to the new methods of computing reserve requirements under the amendment to Regulation D, the Council believes that bankers generally have been favorably impressed with the new procedure.

There was no significant discussion of this topic.

E. What response, if any, in banker plans have Council members observed to the Board's action allowing State member banks to own and operate certain kinds of subsidiary corporations and loan production offices?

The Council believes that the Board's decision to allow State member banks to own and operate certain kinds of subsidiary corporations and loan production offices was welcomed by the vast majority of bankers. There have been some differences in the interpretation by State authorities as to whether these offices constitute branches which have limited the impact of the ruling.

President Mayer commented that he believed the ruling had been a step in the right direction, one that would be beneficial to the image of the Federal Reserve.

In response to a question by Governor Mitchell regarding the attitude of State supervisory authorities toward the interpretation on loan production offices, Mr. Craft noted that the Florida banking authorities regarded such offices as branches, which were not allowed in the State. Mr. Stewart commented that a similar situation prevailed in Texas. Mr. Wilkinson indicated that the attitude in Virginia was that such offices were not essentially different from traveling representatives operating from hotels. Mr. Fox observed that the State Commissioner in Missouri had challenged the ruling, which was odd because he had never challenged the mortgage company operations of Mr. Fox's bank.

Chairman Martin withdrew from the meeting at this point.

F. What comments or suggestions do Council members have regarding regulatory provisions the Board might issue in implementation of the recently enacted legislation concerning regulation of advertising of rates of interest on deposits?

> The members of the Council have no specific suggestions to the Board regarding regulatory provisions to be issued in implementation of the recently enacted legislation concerning regulation of advertising of rates of interest on deposits. However, the Council would urge that the regulations provide general guidelines rather than lengthy, detailed requirements. The objective should be to prevent the use of statements which may mislead the public. Bankers in general strongly believe that similar regulations should be applicable to all savings and thrift institutions.

President Mayer said that the Council was concerned about advertisements that stressed the yield on a certificate of deposit if held for a long period of years, with only passing reference to the annual interest rate. The Council did not believe such advertising was desirable, because it reflected adversely not only the bank that resorted to such advertising but also the banking industry generally. It was felt that such practices should be stopped.

The principal emphasis of the Council, President Mayer added, was on the need to prohibit advertising that would mislead the public and to subject thrift institutions to restrictions comparable to those placed on banks.

In response to a question on the latter point, Governor Robertson said he believed that the attitude of the Federal Home Loan Bank Board, which would prescribe regulations for savings and loan associations under Federal supervision, would be cooperative. The Board's staff had prepared a draft of amendment to Regulation Q, Payment of Interest on Deposits, which he felt was consistent with the views expressed by the Council. If such a regulation were approved by the Board of Governors, the Federal Deposit Insurance Corporation, and the Federal Home Loan Bank Board, he believed that as much would have been accomplished in this broad area as was possible without going into great detail.

Mr. Wilkinson expressed agreement that the subject should be approached in broad terms; the conspicuous exceptions could be dealt with without much trouble.

Mr. Conn inquired whether the Board considered it mandatory to adopt regulations, and Governor Robertson replied that, while it was not mandatory, he personally believed it was desirable, if the regulations were of the right kind. If the agencies failed to take any action by way of issuance of regulations, he thought they would run into real difficulties in future appearances before Congressional committees.

Mr. Conn then commented on supervisory methods employed to control advertising practices followed by banks in the past and expressed the view that those methods had worked quite satisfactorily. While regulations couched in broad terms might provide useful guidelines for the formulation of decisions, he felt it would be almost necessary to use a case-by-case approach in administering such guidelines.

President Mayer inquired whether the proposed regulations would affect long-term guarantees of a certain rate of interest, in response to which Governor Robertson brought out that under the present terms of Regulation Q such guarantees stood even if the maximum permissible interest rates were revised downward. The Board had the power to require that deposit contracts be brought into conformity if the maximum rates were reduced, but as a matter of policy it had taken the position that outstanding contracts should not have to be adjusted.

3. Balance of payments.

A. How does the Council appraise the outlook for the remainder of the year for (1) demands for Euro-dollar loans at foreign branches of U.S. banks, (2) Euro-dollars advanced by branches to home offices, and (3) direct borrowings from foreign banks by U.S. banks (i.e., not through foreign branches)?

(1) The Council anticipates a seasonal increase in the demand for Euro-dollar loans at foreign branches of U.S. banks, reflecting in part year-end borrowing by U.S. corporations as they adjust their direct investment positions. (2) and (3) Changes in the volume of Euro-dollars advanced by branches to home offices, as well as direct borrowings from foreign banks by U.S. banks (i.e., not through foreign branches), will be largely determined by the relative cost of these funds vis-a-vis other sources. The relative tightness of the U.S. money markets will also be a factor determining the volume of these transactions. If conditions remain about what they are today, the amount of Euro-dollars advanced by branches to home offices or direct borrowings from foreign branches are not likely to change appreciably during the remainder of this year.

Governor Mitchell inquired whether, in view of the substantial increase in Euro-dollar borrowings in recent years, it would seem desirable to set any limitations in terms of the banking system or individual banks. Some banks obviously had large holdings of Euro-dollars.

President Mayer said that, while the Council had not discussed such a possibility, his own bank kept quite a careful balance between funds obtained from the Euro-dollar market and other sources.

Mr. Kennedy commented that his institution also maintained its own limitations on Euro-dollars, these being changed as conditions changed. Of course, having too many funds in almost the demand area was a cause for concern. The need to meet commitments already made was the force that might cause an increase in Euro-dollars between now and the end of the year. By and large, his bank regarded the choice between Euro-dollars and CD's as almost dependent on rates, aside from the question of maturity.

Governor Maisel inquired whether the decision might not also give weight to the fact that in the Euro-dollar market there was no lender of last resort.

Mr. Kennedy replied that all of the major banks had been concerned about whether they could get Euro-dollars at all. They tried to keep a close check on developments in the Euro-dollar market and were aware of their vulnerability.

Governor Sherrill said he had received the impression that bankers felt the Euro-dollar market was becoming less volatile, and Mr. Kennedy noted that the volume had held up both in good times and bad. President Mayer commented that perhaps the banking community was becoming accustomed to dealing in Euro-dollars as an alternate source of money. Most banks restricted their use of Euro-dollars in proportion to their CD's, although he agreed that the proportion was tending to rise. Mr. Kennedy observed that, while a bank might not always be able to issue CD's, according to the experience thus far it could always obtain Euro-dollars, at a price.

In response to a question by Governor Mitchell, Mr. Kennedy said the Euro-dollar market apparently was tending to lengthen a little, but the rates were high. Longer-term money was available, but only if one was willing to pay the price.

B. Do Council members have any comments or suggestions with respect to a voluntary foreign credit restraint program for 1969?

The members of the Council would favor (1) the exclusion of export financing from the guidelines, and (2) the further easing of the voluntary foreign credit restraint program for 1969, with the objective of eliminating the program as soon as possible.

President Mayer said there was some feeling that others were being given relief from the restrictions while the banks were not. It was easy to regulate banks, and therefore there might be a tendency to treat them a little differently.

In response to a question, Governor Robertson said that the Board had not yet decided on guidelines for 1969. He noted that the determination of those guidelines was not entirely a matter for the Board's decision, and it was possible that whatever was decided upon might be changed by the incoming Administration. His own view was that it would be necessary to go slow in eliminating the foreign credit restraint program as long as the balance of payments problem remained fundamentally serious. He noted that the easing announced by the Department of Commerce had actually been very slight.

There were others who shared the view of the Council that export financing should be excluded, Governor Robertson continued. Perhaps that view was correct, but he did not think so. He believed that if export financing were excluded a completely different type of program would be necessary. He would rather see the present program dropped than to see its effectiveness undermined.

Governor Mitchell observed that the program, originally announced as temporary, had been in effect for four years. This type of program, which admittedly papered over the fundamental problems, tended to become more discriminatory and inequitable with the passage of time. On the other hand, it could hardly be abandoned unless something was available to replace it. He would like to see other types of measures explored that might accomplish the purpose of the program more effectively. The balance of payments problem was a difficult one to solve, and it had been approached in a temporizing way through a device that was no longer appropriate.

Governor Robertson agreed with the view that something must be substituted if the current program was to be eliminated.

President Mayer said there was general agreement within the Council that the balance of payments problem must be solved in one way or another. It would not simply disappear.

4. The Board would be interested in any comments the Council members might have on the draft of the proposed regulation to implement the Truth in Lending Title of the Consumer Credit Protection Act that was published on October 16.

The Council believes that the appropriate staff personnel in the larger banks have submitted comments on the draft of the proposed regulation to implement the Truth in Lending Title of the Consumer Credit Protection Act. Some members of the Council are today submitting additional memoranda on this subject to the Secretary of the Board.

The members of the Council were dismayed at the length and great detail of the proposed regulation. In the Council's judgment it would have been preferable if the regulation could have been written in more general terms and substantially reduced in length.

President Mayer commented that much of the field covered by the regulation was extremely technical. Although members of the Council were familiar with the subject at the policy level, they had had little experience at the level of day-to-day operations and felt somewhat at a loss to offer constructive comments.

They were bothered by the length of the regulation and assumed that it may have resulted from the receipt of advice from numerous outside sources as to points that should be covered.

Governor Robertson remarked that the Council members were not alone in thinking the regulation was too long and complicated. However, that had not resulted from receiving a great volume of outside advice as much as from having the best available technical experts frame the regulation so as to apply to all kinds of businesses. Also, about a third of the regulation as published for comment consisted of technical provisions that would be used only by groups compiling interest rate tables. It was planned to separate that part in a supplement, which would be provided only to those who wanted it.

Many comments on the draft regulation had been received, Governor Robertson said, and the staff was trying to take them into account in such a way that the regulation would not become even more lengthy. There had also been suggestions for making the regulation less complicated, and every effort would be exerted to make it more understandable and easier to apply.

Governor Robertson then described the time table for refining and adopting the regulation and spoke of the effort being undertaken, through consultation with professionals in such fields as advertising and public relations, to develop presentations of the substance of the regulation that would be understandable to everyone, including small merchants and consumers. It was hoped to enlist organizations such as banker groups, trade and credit associations, and chambers of commerce in the extensive educational effort that would be necessary. The thought was to confine the Federal Reserve as much as possible to the role of providing leadership in the administration of the legislation.

Mr. Conn inquired why the draft regulation required that records of transactions be retained for as long as two years, and Governor Robertson responded that this had been specified at the request of representatives of some of the enforcement agencies who maintained that they would otherwise have an insufficient basis for enforcement. However, some changes in the draft regulation were presently under consideration. In response to further questions by Mr. Conn, he said that film records would be acceptable and that in any event the keeping of appropriate records would protect the lender or merchant for the purpose of defense against any charges that might be brought against him.

5. The Board would appreciate having the views of the Council members as to the prospects for, and any legal or other problems seen in, the formation of community development corporations or similar arrangements (either by individual banks, groups of banks, or banks and other institutions) for the purpose of extending financing or real estate development assistance to businesses and consumers in the economically disadvantaged areas of cities.

> The experience of the Council members on the formation of community development corporations or similar arrangements for financing businesses and consumers in the economically disadvantaged areas of cities has disclosed no important legal problems.
>
> Bankers generally over the country are cooperating in this effort, and broadening their participation. The Urban Affairs Committee of the ABA is aggressively encouraging banks in this activity.

President Mayer remarked that his bank's attorneys had at first looked rather dubiously at the kind of loans being made, one question being whether the joint loans might involve some antitrust implications. Also, there seemed to be no doubt but that some of the loans would turn out poorly.

Governors Maisel and Robertson observed that the Council's statement apparently focused on joint participation by groups of banks in community development efforts. The possible legal problems that the Board wished to probe, however, related more to a situation where a single bank formed a community development corporation that would engage, among other things, in buying, selling, and leasing real estate.

Members of the Council agreed that their statement had been addressed primarily to cooperative efforts by banks. President Mayer said that while his bank had made sure that the community development corporation operating in its area had never failed to get the construction money it needed, the bank itself had no equity interest in the corporation. Mr. Wilkinson commented that in Richmond equity capital had been contributed to a nonprofit organization by both banks and industrial corporations. The equity capital had provided a base for obtaining Federal funds. The program's thrust was to find housing for those in the $3,000 to $7,000 income bracket who, in the absence of help, would become frustrated and move back to a lower level.

Governors Maisel and Robertson inquired whether banks regarded these community enterprises as strictly nonprofit operations and whether, if not, legal difficulties were foreseen. The Board's question reflected its desire to facilitate the participation of banks in community development programs to the greatest extent possible, within whatever protective framework was necessary to keep problems from developing.

Members of the Council reiterated that they were aware only of efforts being undertaken on a cooperative basis. Mr. Simmen, for example, commented that banks in his area were looking into the possibility of forming a subsidiary for such operations.

Mr. Kennedy suggested that more comprehensive information could be obtained from the committee of the American Bankers Association that had been studying this matter intensively. In the Chicago area, banks were exploring alternative ways of providing equity capital, which was the major problem, and had pledged funds to insure the availability of loans, even though there was no legal problem insofar as the making of loans by individual banks was concerned. So far as equity capital was concerned, the foundation route was a possibility, or a corporation of some kind to which area banks would contribute capital, but it was not contemplated that individual banks would set up their own development subsidiaries.

Mr. Conn inquired whether there was some difference of opinion between the Comptroller and the Board on the establishment by a bank of a wholly-owned subsidiary that would buy, develop, lease, and sell real estate for urban rehabilitation purposes. The answer given was that the Comptroller had ruled that a bank could purchase the stock of such a subsidiary, based on the concept of charitable contributions, as long as it wrote off the investment on its books. Members of the Council indicated that they were not familiar with the ruling in question.

Governor Robertson reiterated that the Board wanted to make sure that whatever steps were taken to enable banks to participate in meeting the problems of urban rehabilitation were properly designed for the purpose. If it seemed necessary to request legislation to facilitate the effort, that would be sought.

6. The Board would be interested in any comments Council members might have on the draft of the Board's proposed regulation to implement the Bank Protection Act of 1968 that has been released for publication on November 8.

The Council believes that it would be preferable if the Board's regulation to implement the Bank Protection Act of 1968 were written in the form of broad guidelines. These guidelines would permit flexibility dictated by size, location and other factors, rather than prescribe detailed technical protective and security measures required of every bank. Individual banks would be expected to report only that they are in general compliance with the regulation.

Some members of the Council have asked appropriate staff personnel in their institutions to comment in writing directly to the Board or through their local Federal Reserve Banks.

President Mayer said the Council was concerned about the public relations aspects of the proposed regulation from the System's standpoint. There were vast differences, he pointed out, among banking offices. A large downtown office and a small country office had different protection problems; any set of rules that would fit one would be inappropriate for the other. This philosophy was at variance with the regulation as drafted, which contained many specific requirements for equipment and protective devices.

Governor Robertson said that the Board wanted the Council's frank reaction and was glad that some of the members also were having suggestions submitted in writing by their institutions. He described how the draft regulation had been developed in consultation with organizations such as the Federal Bureau of Investigation, the Secret Service, and the equipment industry, pursuant to a statute that contained a mandate to prescribe minimum standards. At various places in the regulation, allowance was made for "something comparable" to the equipment specified.

The effort had been, Governor Robertson added, to arrive at requirements with which almost all large banks and most of their branches would be found to have complied already. While such institutions would have to make an initial report, further reports would be necessary only when a criminal act had occurred.

President Mayer remarked that some institutions had shockingly little in the way of safeguards. There were wide variations from one bank to another, for example, on cameras and how they were maintained. He noted, however, that the requirement that a report be made after every robbery was not necessarily a light burden, because a large institution with many branches might experience numerous robberies.

Mr. Larkin said he could speak for an area where branch banking was the rule and robberies were so frequent that it had been estimated that the burden of compiling a report on each one would take the full time of one or two men in a single institution. Moreover, the nature of the problem, especially in a branch banking structure, was such that the kind of regulation proposed--with requirements for specific protective devices--was not going to contribute constructively toward a solution. He described circumstances that contrived to make many such devices of very limited value and emphasized that a large branch banking organization had to be prepared to deal with different types of problems at each of its offices. For such a banking structure, the proposed regulation would be impractical and would fail to achieve the desired results.

Governor Robertson remarked that it would be helpful if banks would offer suggestions for a regulation that would be practical and would carry out the mandate of the law. For better or worse, the Bank Protection Act was on the books, and it required that regulations be prescribed.

Mr. Conn commented on the special problem of small banks. In the Tenth District, for example, most of the banks that suffered robberies were in the suburbs of the larger cities. A great number of banks located in small towns had a low incidence of robberies and, with total resources typically of no more than $5 million, they would find the requirements regarding construction and equipment extremely onerous. Then too, some of the provisions of the draft regulation could not be complied with by small banks located in communities without a local police force. He emphasized that the Council realized the difficulty the Board faced in devising a regulation that would carry out the legislative mandate and be constructive. Yet he felt it should be possible to set standards without such a lack of flexibility as in the draft regulation.

President Mayer suggested that the Bank Management Commission of the American Bankers Association might be helpful. He and Mr. Conn also stressed the desirability of having comparable regulations adopted by the several Federal supervisory agencies.

Governor Robertson stated that the American Bankers Association had been asked for help. He described some of the principal differences in the outstanding draft regulations, particularly as to reporting requirements, and advantages that were seen in the Federal Reserve draft. He also spoke of arrangements being considered in an effort to bring the regulations of the several supervisory agencies more closely together. He had requested that a sample of banks be selected by each agency and asked to study the application of the regulations to their own situations, with the thought that the comparisons made would help to promote the greatest possible regulatory uniformity. In response to a question by Mr. Nason, he said that critical comments would be welcomed by the Federal Reserve from all classes of banks.

7. What are the Council's views on monetary and credit policy under current circumstances?

The Council believes that a policy of monetary and credit restraint is appropriate because of the persistence of the strength of demand and the resulting continued upward pressure on prices. There has been a lag between changes in fiscal policy and their impact on economic activity. The Council, therefore, believes that a policy of moderate restraint should be continued until there is clear evidence that inflationary pressures have lessened.

Governor Maisel inquired whether the Council was defining the present policy posture as one of moderate restraint, and President Mayer replied that the Council's statement was intended to convey that impression.

Governor Robertson commented that the statement appeared to indicate that the Council believed the degree of restraint being achieved by monetary policy, in the absence of sufficient fiscal restraint, at least in terms of consumer spending, would suffice to relieve inflationary pressures while maintaining relatively full employment.

President Mayer recalled that at its last meeting the Council had been somewhat critical of monetary policy as being a little too easy right after the tax increase. He believed the present view was that at the moment the policy posture was right, although the Federal Reserve should not take its foot off the brake too soon.

Governor Robertson asked whether the Council would advocate pushing down on the brake a little harder, since the economy appeared stronger than most observers had expected and inflationary pressures were still acute.

Mr. Wilkinson observed that it was admittedly difficult to maintain the same tempo of restraint week after week. The System had to feel its way along. The Council was trying to say that the

System should stay within the ranges that had prevailed recently, and not ease until inflationary pressures abated. Whether a little more restraint would be desirable was hard to say.

Governor Maisel observed that views had been reported at the time of the recent meeting of the Business Council that an unemployment rate as high as 5-1/2 per cent would have to be tolerated if inflation was to be brought under control and nothing else would suffice. He read the Council's statement as indicating that it did not consider a sharp increase in the unemployment rate to be a necessary goal for monetary policy.

Mr. Still expressed the view that in present times such a solution would be completely unpalatable, and President Mayer said he did not think it would be acceptable to either political party.

Governor Robertson said he did not think it followed that a little tightening of monetary policy would produce a high unemployment rate.

Governor Maisel agreed. However, some members of the Business Council seemed to feel that the goal should be an unemployment rate as high as 5-1/2 to 6 per cent and some representatives of large banks had been quoted similarly at the time of the ABA convention.

Mr. Conn observed that there was a fair-sized body of opinion to the effect that inflation could not be controlled when the unemployment rate was as low as 3.6 per cent. The Advisory

Council felt that after the first of the year the increased Social Security taxes and the surtax would exert an increasing effect, and in view of that the present posture of monetary policy appeared to be about right. However, if the expected dampening effect did not occur, it might be necessary to put on the brakes a little harder.

Mr. Kennedy said the Council had not gone into the question of significant unemployment and instead had looked at the present situation and the changes that were foreseen. His own view was that possibly the present monetary policy was not quite restrictive enough, although it was difficult to tell. At the time of the last meeting he felt that the Federal Reserve had moved toward ease a little too fast, apparently in the belief that the fiscal legislation would relieve the existing pressures somewhat. Now it was being forecast that perhaps next year conditions would not be so strong, but that was not certain and he would want to await further developments before making any policy move.

In response to a request for elaboration of his comment regarding monetary restraint and the unemployment rate, Governor Robertson said he was sure that if monetary policy was tightened sufficiently the unemployment rate would rise. However, he did not believe anyone could tell precisely what degree of restraint would produce a particular rate, say 5-1/2 per cent.

Governor Sherrill observed that at its September meeting the Council had expressed the view that the reduction of the discount rate by 1/4 of 1 per cent might not have been a wise move. He wondered if it was now the view of the Council that the previous rate should be restored.

Mr. Kennedy suggested that it might be better to let the present rate stand and make any necessary adjustments through other instruments. In response to a further question by Governor Sherrill, he and several other members said they now felt more comfortable with the posture of monetary policy than they had at the time of the last meeting.

Mr. Wilkinson commented that there was a question as to what motivated the consumer. If the consumer was motivated by the thought that inflation was likely to be a way of life, he might continue to spend freely even if increased taxes hit him hard. Otherwise, the tax impact was likely to cause a curtailment of spending.

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President Mayer said that, pursuant to inquiries by Board representatives, the Council had discussed further the possibility of shifting to a different pattern of meeting dates that would reduce conflicts with meeting schedules it understood were being considered by the Federal Open Market Committee. However, it appeared that any of the alternatives that had been suggested would involve numerous conflicts with engagements that members of the Council must keep, according to the schedules of the present Council members.

After some discussion of the possible alternatives, Governor Robertson said that in the circumstances the scheduling problem of the Federal Open Market Committee would be resolved in some other way.

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It was agreed that the next meeting of the Federal Advisory Council would be held on February 17-18, 1969.

The meeting then adjourned.

Secretary