

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 17, 1958, at 9:30 a.m.

PRESENT: Mr. Martin, Chairman  
Mr. Hayes, Vice Chairman  
Mr. Fulton  
Mr. Irons  
Mr. Leach  
Mr. Mangels  
Mr. Mills  
Mr. Robertson  
Mr. Szymczak

Messrs. Erickson, Allen, Johns, and Deming,  
Alternate Members of the Federal Open  
Market Committee

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

Mr. Thurston, Assistant Secretary  
Mr. Hackley, General Counsel  
Mr. Thomas, Economist  
Messrs. Daane, Marget, Walker, and Young,  
Associate Economists  
Mr. Rouse, Manager, System Open Market Account  
Mr. Carpenter, Secretary, Board of Governors  
Mr. Kenyon, Assistant Secretary, Board of  
Governors  
Mr. Koch, Associate Adviser, Division of  
Research and Statistics, Board of Governors  
Mr. Jones, Chief, Consumer Credit and Finances  
Section, Division of Research and Statistics,  
Board of Governors  
Mr. Keir, Economist, Government Finance Section,  
Division of Research and Statistics, Board  
of Governors  
Mr. Stone, Manager, Securities Department,  
Federal Reserve Bank of New York

Messrs. Ellis, Mitchell, Tow, and O'Kane, Vice  
Presidents of the Federal Reserve Banks of  
Boston, Chicago, Kansas City, and San

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Francisco, respectively; Messrs. Larkin and Coombs, Assistant Vice Presidents of the Federal Reserve Bank of New York; Messrs. Balles and Einzig, Assistant Vice Presidents of the Federal Reserve Banks of Cleveland and San Francisco, respectively; Mr. Parsons, Director of Research, Federal Reserve Bank of Minneapolis; and Messrs. Anderson and Atkinson, Economic Advisers, Federal Reserve Banks of Philadelphia and Atlanta, respectively

Upon motion duly made and seconded, and by unanimous vote, the minutes of the meeting of the Federal Open Market Committee held on May 27, 1958, were approved.

Before this meeting there had been distributed to the members of the Committee a report prepared at the Federal Reserve Bank of New York reviewing market developments and open market operations since February 26, 1958, and dealing in detail with operations during the period May 27 through June 11, 1958, along with a supplemental report covering commitments executed June 12 through June 16, 1958. Copies of both reports have been placed in the files of the Federal Open Market Committee.

In comments supplementing the reports which had been distributed, Mr. Larkin drew attention to the magnitude of operations in the System Open Market Account since the last meeting of the Committee. During that period the Account purchased approximately \$600 million of Treasury bills, which was more than the Management had envisioned at the time of the last meeting and perhaps more than

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the Committee had envisioned. Despite these operations, however, Treasury bill rates had risen gradually and the average rate at yesterday's auction was .95. Furthermore, the New York city banks had encountered some reserve shortages, primarily because of the substantial increase in their loans to Government securities dealers. In the two weeks which ended June 11, these loans increased more than \$700 million, and at the same time dealer holdings of Government securities increased by an even larger amount. This reflected dealer absorption of securities during the Treasury financing and dealer absorption of securities sold by corporations raising cash to meet their June 15 tax liabilities.

Mr. Larkin said that although the Treasury's refunding operation was well received by the market, the sheer weight of exchanges into the new 2-5/8 per cent bonds had caused some uneasiness toward that issue.

In response to a question by Mr. Leach, Mr. Larkin recalled that at the last Committee meeting there was discussion of the speculative movement into rights, with concern expressed that perhaps some of these holdings might be dumped on the market in the period when the Treasury's books were open and thus bring pressure on the market. That did not happen, however, and it might be assumed that most of the speculative holdings had been exchanged for the 2-5/8 per cent bonds. This fact, together with the magnitude of the exchange, had led to caution in the market place with regard to

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these new securities, but the market nevertheless performed quite well quotationwise until yesterday, when some pressures appeared for the liquidation of speculative holdings. This depressed prices on the 2-5/8s and also on the new 3-1/4 per cent bonds. In general, the market was cautious, and it was now facing a distribution problem.

Thereupon, upon motion duly made and seconded, and by unanimous vote, the open market transactions during the period May 27 through June 16, 1958, were approved, ratified, and confirmed.

In supplementation of the staff memorandum distributed under date of June 13, 1958, Mr. Young made the following statement on the economic situation:

The stock market is still saying, with even stronger emphasis, that economic recovery, possibly inflationary recovery, is either under way or just around the corner. The further economic information available for this meeting is confirming our report at the last meeting that bottoming out of recession is in fact occurring. While the information is generally on the encouraging side, some of it is black and is a counterweight to the white. Perhaps the best approach for today's report is to sift the whiter from the blacker information. On the white side, we have these items:

(1) A one point rise in the index of industrial production in May, mainly reflecting a rise in durable goods output. Current information points to a further rise in the index for June. Electric power output is also up in June, and freight car loadings are showing a quite dramatic rise.

(2) Pickup in housing construction activity in May to a million unit start rate, and a developing volume of financing activity for both new and used houses that would suggest builder and lender expectations of a very active market ahead.

(3) Further large inventory decline in April, carrying inventory liquidation one more step closer to the point where even reduction in inventory liquidation may function as a stimulating factor.

(4) Further slackening in the pace of decline in manufacturers' sales and, in May, a rise at durable goods manufacturers in new orders.

(5) Strengthening of the labor market in May and extension of labor market improvement into June.

(6) Further rise in personal income in May--for the third month in succession, with more rise in June now indicated.

(7) Additional strength in retail trade, particularly at nondurable goods stores. While sales of autos and other durable goods are running well below a year ago, sales of autos have improved recently and the decline in sales of other durables has slackened. At department stores, sales in June are holding up well.

(8) Further gain in agricultural income and a bright prospect for crops and farm income in the months ahead.

(9) Strengthening of prices in primary metal markets, especially of copper and steel scrap. While special factors, such as prospective new governmental stockpiling, have been influences in the turn-up in copper, inventory supplies of primary metals are now such as to make these markets highly sensitive on the upside to both increases in demand and decreases in supply.

(10) Capital market activity continues at a high level and bank credit expansion has now proceeded for four months at the monthly rate of 1 per cent. Active cash balances have been rising over these months at the most rapid rate since 1952.

(11) Lastly, account should be taken of the resiliency shown by European industrial activity in holding up in the face of significant contraction in U. S. activity and in the face of reduced import capacity on the part of raw material supplying areas.

As we suggested, however, there is black information as well as white. On the blacker side, we can list:

(1) The Department of Commerce-SEC release of new plant and equipment spending estimates, indicating that such spending had declined more than earlier reports and that spending during the rest of 1958 is to be further scaled down.

(2) The newly-revised information on the value of construction activity, showing a larger decline from December through May than had been disclosed earlier, with declines continuing in the value of private residential, industrial, and public construction from April to May.

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(3) The speculative character of the recent bulge in steel activity, with warehouse demand especially heavy, according to trade reports, in anticipation of a \$5 a ton rise in the steel prices on July 1.

(4) The continued sluggishness of the new automobile market, the continuing threat of major work stoppage in this industry, and the not too hopeful reports on new model design for 1959 cars.

(5) The further decline in consumer instalment credit, which, though diminishing in amount, is still operating as a contractive influence on consumer spending.

(6) The failure of prices for fabricated industrial commodities to show response to contracted demand.

(7) The possible vulnerability of the current level of stock prices in view of the sharp rise in customer credit that has accompanied the recent market advance.

(8) The failure of the Canadian economy, which led the U. S. economy in recession, to show bounce-back from its recession bottom.

(9) The indications from very recent European information that British and Continental economic activity may be weakening, with the next move downward. And finally:

(10) The undercurrent of concern about the future role of gold that seems to be present in international markets.

We infer from this inventory of the hopeful and cautionary items of intelligence now at hand that the haze obscuring the outlook has not suddenly lifted, and that it is the better part of wisdom not to conclude as yet that a recovery pattern has definitely taken form. On the other hand, one cannot deny the possibility that an accelerating recovery movement is now shaping up.

Mr. Thomas made the following statement on financial develop-

ments:

In the past three or four weeks, demands on capital markets, including the Treasury bond offering for cash, have been heavy. Some of these demands have been met from a continued substantial expansion in bank holdings of securities and loans on securities. Bank reserves have been absorbed by increases in required reserves and currency and a continued gold outflow, and reserves have been supplied by rather large but selective System purchases of securities. On balance free reserves of member banks declined and have been at a lower level than they were in May.

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Notwithstanding the heavy demands in capital markets and the decline in free reserves, the money market continued relatively easy until the past week, when the customary large-scale last-half-of-June financial turnover began to be felt. Long-term rates showed little change and short-term rates during most of the period continued at very low levels reached in the latter part of May.

Treasury financing operations were effected with remarkably slight repercussions in the market, but the real effect may be just beginning with settlement yesterday for the commitments made. Heretofore the principal tangible effect has been in dealers' purchases of maturing issues and commitments for purchases and sales of when-issued securities. These operations resulted in considerable churning of funds in the market, but until the past week dealers had little difficulty in covering their financial needs by borrowing temporary liquid funds. These funds are now being needed to meet mid-June obligations for taxes, dividends, and other payments, and other pressures are beginning to appear in the market. Dealers' committed positions in securities and borrowings are at record levels and a large portion of financing needs will have to be obtained from the banking system in the next two weeks. Business payments to the Treasury and for other purposes may also necessitate a considerable amount of business borrowing at banks.

In the absence of maturing tax securities to pay off, the Treasury's cash balance will increase sharply in the next ten days to a high figure of over \$9 billion. The resulting rise in deposits will increase bank reserve needs. The Treasury balances will be drawn down sharply in subsequent weeks, but it is possible that they are adequate to cover cash needs until October. An early increase of \$100 million in the weekly Treasury bill offering probably could assure sufficient funds until that time. Treasury cash borrowing needs, however, will be very heavy in the October-December quarter--probably about \$6 billion.

New issues of securities by corporations have continued moderately large in June, though less than a year ago. In the second quarter, corporate issues are expected to total about \$2.7 billion, or a little over \$400 million less than last year. Finance companies, whose public offerings of long-term securities have recently been negligible, account for about half of this drop. Issues of industrial corporations have declined, while offerings by utility companies have continued somewhat larger than a year ago. State and local government

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issues have been somewhat less in June than in April and May, but the quarterly total was larger than in the same period of other recent years.

Yields on long-term securities--both new and outstanding issues--have continued relatively firm, notwithstanding the Treasury bond offering. Distribution of some of the new issues has been rather slow, but perhaps no more than should be expected in view of the demands on the capital market.

Total loans and investments of banks in leading cities, as indicated by partial figures for June 11, increased by about \$1.7 billion in the three weeks ending on that date, compared with an increase of \$1.1 billion in the same period last year, which included payment for a new Treasury issue. The larger increase this year reflected principally increases in loans to dealers in securities and in holdings of securities other than those of the U. S. Government. Bank holdings of Government securities have continued to increase. Business loans increased only moderately in the week of June 11, following declines in the two previous weeks, whereas last year they increased considerably in the first two weeks of June. As previously mentioned, further large increases in business borrowing are to be expected this week and perhaps next.

Demand deposits at city banks continued to increase in June somewhat more than last year, following a less than seasonal contraction in May. It is estimated that demand deposits and currency at all banks showed a seasonally adjusted increase of about \$500 million in May, to a figure nearly \$1 billion larger than a year ago. U. S. Government deposits have declined seasonally in recent weeks, but as mentioned will begin to increase sharply this week. Time deposits have continued to increase at a rapid pace at commercial banks and moderately at mutual savings banks. Estimates for the first four months of the year indicate that nonbank holders have reduced their holdings of Government securities, particularly bills and certificates, in contrast to an increase in total holdings in the same period last year. This would indicate that the growth in liquidity has been predominantly in bank deposits.

Short-term money rates have risen somewhat in the past two weeks, following a decline during May to a relatively low level. This shift accompanied a decline in free reserves from over \$500 million to around \$400 million. The tone of the New York money market, however, at first seemed relatively easier than it had been in May. This reflected largely the distribution of reserves among banks and also the ability of securities



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dealers to obtain financing from nonbank sources. This atmosphere has changed, however, in the past week. Federal funds rates have been closer to the discount rate and yields on Treasury bills, which declined to about 5/8 per cent, have approached the 1 per cent level.

Reserves have been absorbed in recent weeks by greater than seasonal increases in required reserves and in currency and by a further, though slackening, outflow of gold. In the meantime reserves have been supplied by System open market operations, aggregating around \$900 million in the past four weeks.

An abundant supply of reserves will be needed during the next two or three weeks to meet the heavy liquidity needs of this period. Recent System operations together with the usual mid-month float increase, may be adequate to cover needs this week and next. Reserve needs in the subsequent two weeks will be increased by the holiday currency demand, as well as by the usual end-of-month decline in float, and they may be further enlarged by a continued increase in required reserves, if there is heavy borrowing at banks to cover tax and other payments at the time. This is an uncertain element. In any event, in the absence of further System operations free reserves are likely to continue during July and most of August and September at below \$400 million. On the basis of usual seasonal factors they will decline further in the last quarter of the year.

The question of policy is how and when these reserves should be supplied. System policies and the response of the banks to those policies have resulted in bank credit expansion during the past four or five months at a seasonally-adjusted annual rate of 12 per cent and sharp declines in short-term rates to exceedingly low levels. Much of this credit has directly or indirectly financed long-term commitments. Some of it has evidently been speculative or at least is believed to be of a temporary nature. In view of the changed tenor of current business statistics, indicated by Mr. Young's review, the major policy question to be determined is whether there should be some moderation of the recent vigorous policy of ease.

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

Business statistics in the last three weeks have been generally encouraging, suggesting that the low

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point of the recession may be close at hand, although it is not clear that it has already been reached--and there is certainly no evidence yet pointing to any substantial recovery during the remainder of 1958. High levels of consumer and Government demands seem now to be roughly offsetting recessionary forces generated in the investment area of the economy.

Perhaps the most obscure element in the outlook is the probable trend of aggregate inventories. The present rate of liquidation is almost certainly less than the steep rate of the first four months of the year, and the speed of liquidation should drop further in coming months; but stock-sales ratios, even after some decline in April, are still high, and the process of inventory correction may still take some time. The direction of consumer spending, as well as price developments, particularly in the area of raw materials, will doubtless be a crucial influence on inventory trends.

Well-sustained personal income and consumer spending have been major stabilizing factors to date. Aided by high farm income, large transfer payments, and the first increase in wage and salary payments since last August, personal income rose in May to a level less than 1 per cent below that of August. Consumer cash outlays, i.e., consumption expenditures less changes in consumer credit, have increased in each quarter throughout the recession. However, the future trend of consumer spending is still a major question mark.

The latest SEC-Commerce figures on plant and equipment expenditures show a considerably sharper than expected drop in the first quarter, suggesting that there is greater flexibility in capital expenditure plans than had been generally thought. We can, however, find encouragement in the projection of a much slower rate of decline--only about \$1 billion (annual rate)--in each of the ensuing three quarters. Declines of this magnitude could of course be offset by relatively modest gains in consumer spending or in public expenditures. Although actual defense spending has so far shown no upward tendency, a gradual but substantial rise is expected over the next year; and this factor, together with recent increases in Federal pay scales, and the extension of unemployment benefit payments, points to a substantial and rising Government deficit.

Among recent rather favorable developments have been some improvement in residential building starts and in new orders, a continued pickup in steel output and a leveling

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of industrial production as a whole. However, the better level of housing starts, which is especially marked in apartment units, may reflect greater speculative building activity rather than a genuine improvement in underlying demand. The upward trend in the steel industry may be attributable in large part to expectations of higher prices at the end of this month, and in part to a rebuilding of seriously depleted inventories. It seems questionable whether much stress should be laid on the modest drop in unemployment in May on a seasonally adjusted basis, since unemployment is likely to remain at a relatively high level for many months unless production rises sharply. I believe probabilities still favor a slow recovery rather than a sharp and rapid one.

The price outlook is more encouraging than at any time in the last few years. Farm prices are now declining at last, and the general wholesale price index seems likely to hold steady or even to move lower over the rest of the year, with the consumer price index perhaps showing a similar trend after some months' lag.

As for Treasury finance, we can probably assume with safety that the Treasury will not be in the market again for new money until around the middle of August. (Our estimates indicate that their needs will come sooner than Mr. Thomas' forecast of October.) But the Treasury will be faced with another substantial refunding--the August 1 maturity, probably combined with the September 15 maturities.

In spite of the mildly improved business outlook, I think the present is emphatically not the time for backing away from our policy of outright monetary ease or for creating any public impression that we may be backing away from it. The policy we have been following in recent weeks should be continued until there are much clearer signs of imminent recovery. I think we should be gratified by the extent to which banks and others have restored some of the liquidity lost during the years of credit restraint. As usual, it is hard to set policy in terms of any specific free reserve figure. Although a level of about \$500 million seems as satisfactory as any, I would prefer to see the Manager give greater weight to the feel of the money and capital markets. Despite the favorable reception of the Treasury's recent financing operations, I think we must continue to give close attention to the capital markets to assure as receptive an atmosphere as possible for new corporate and municipal issues. While I would see no

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objection to our letting free reserves fall appreciably below \$500 million at times when the market feels easy and when the banks in the money centers are well supplied with reserves, I would be fearful of going much below that level--and would, in fact, welcome appreciably higher figures--during periods when the money centers feel tight.

To my mind the need for substantial additional reserves to take care of holiday currency requirements, coupled with the prospect of rising seasonal reserve needs in August and later months, points to an opportunity in the very near future for the System to take an additional step toward its long-term objective of attaining somewhat lower levels of reserve requirements. If such a move is made, however, it would be highly desirable that any accompanying publicity stress the point that it is designed to meet these seasonal and long-term needs and should not be looked upon as a sign of increased apprehension on the part of the System as to the business outlook.

As for whether the discount rate should be reduced further, I believe this is a relatively unimportant question at this time. A case might be made for lowering the rate, say to 1-1/2 per cent, chiefly to achieve a lower level from which to effect decisive increases when strong signals of credit restraint are once again called for. We could also justify some modest reduction as a move to "clear the air" by bringing the rate down to the "rock bottom" figure reached in the last two recessions and by reducing the unusually wide spread between the discount rate and short-term market rates. However, this last is not a very weighty argument when borrowing by banks is at such a low level, and I would be somewhat reluctant to change the rate mainly for technical reasons when no additional signal of credit policy is needed. It is even conceivable that a rate cut might be misconstrued by the market as an indication that the System is more worried over the outlook than we actually are. This could have unfortunate results just at a time when business developments are giving some basis for somewhat greater optimism or less pessimism. Against this it may be contended that the market has already discounted a further reduction to some extent. On balance I think I would prefer to leave the 1-3/4 per cent rate unchanged, especially if there is any likelihood that reserve requirements may be reduced in the near future, since I see no reason to confront the public with a double signal in the direction of a policy of greater ease under present conditions.

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Mr. Johns said he agreed with Mr. Hayes that this was not the time to back away from the present policy of monetary ease or to give the public appearance of doing so. At the last Committee meeting, he said, it was his understanding of the majority view that the Desk would not be expected to concentrate too much upon the statistic of free reserves. Rather, the Desk would be expected to rely to a considerable extent on the feel of the market, and in doing so the Account Management might find it appropriate to permit the free reserve figure to drift somewhat lower than the target. He now found himself in the position of regretting that the feel of the market was not so sensitive as to prevent in the past week an appearance of tightening, or at least less ease. He wished that this had not occurred, although he realized that perhaps it could not reasonably have been prevented. For the next three weeks, he would hope that this trend could be arrested and that operations in the Account might make it clear that the posture of the System continued to be one of ease. In his view there should be no alteration of current policy in the direction of less ease, and certainly not in the direction of restraint.

Mr. Johns recalled that at the last meeting he had argued-- and he was clearly in the minority--that there were good reasons for a further reduction in the discount rate. Although he still agreed with Mr. Hayes that arguments could be made in favor of

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a reduction in the rate, he did not wish to reiterate the argument he made at the last meeting. In spite of the economic information that had become available in the last three weeks which was considered by many to be of an encouraging nature and to indicate a bottoming out of recession, it seemed reasonable to him to anticipate that in the next few weeks or months there might be deterioration in some of the indices. In the forthcoming summer months, he would not be surprised if, for example, great strength failed to appear in the index of industrial production, and employment and unemployment statistics likewise might give the appearance of deterioration. The fear he had was that there might be public misunderstanding if setbacks occurred which were essentially of a seasonal character. If so, it might be more important to be in a position to counteract any such developments at the time than to anticipate them by doing something now.

Mr. Johns went on to say that, like Mr. Hayes, he would prefer to see some of the additional reserves which would almost surely be needed in the coming weeks supplied through a further reduction in reserve requirements. He wished again to emphasize the view he expressed at the last Committee meeting that it would be desirable to accomplish at least part of that by a reduction in reserve requirements against time deposits.

Mr. Bryan said that at the meeting of the Atlanta Board of Directors last Friday, at which representatives of the branch

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boards were present, the economic discussion was led by the directors rather than the staff and the underlying tone of the reports made by directors representing various lines of business and industry was distinctly more optimistic than it had been. The only sour notes came from the textile industry, where discouragement seemed to be endemic, and from rice milling, a specialized agricultural industry hardly representative of the general agricultural picture.

Mr. Bryan went on to say that statistics for the district seemed to be behaving quite well, rather better than he reported at the last meeting of the Committee. Some of the figures still were moving down but others showed signs of bottoming out and the district did seem to be performing better than the national averages. For the first time, therefore, he was encouraged, but he felt there could be some setbacks to the present atmosphere of confidence, which might be a little premature.

As to policy, Mr. Bryan said he realized that if the System continued a policy of active ease, and especially if the degree of ease should be increased, it might get into difficulty in the event that recovery should take hold in boom proportions. However, he did not foresee such a development and he would like to continue the present policy of ease. He was impressed by the fact that although the commercial banks had recovered a substantial degree

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of liquidity as the result of System policy, they would nevertheless go into the next period of recovery with liquidity ratios which were unfavorable when contrasted with those prevailing at the time of the previous recovery movement. This meant that the probabilities of an explosive loan expansion such as occurred in 1955 and 1956 were considerably reduced.

Mr. Bopp said that he could generalize for the Third District fairly accurately by saying that although there had been some improvement, conditions in the district were still significantly below a year ago. The evidence of a bottoming out of recession, as indicated in the staff memorandum, was encouraging, but in his opinion the situation called for continuing the policy of monetary ease. Since the Treasury had issued a long-term bond and long-term yields were relatively firm, he would not do anything in the short-term market which might be subject to misinterpretation. On balance he would be disposed to recommend a reduction in the discount rate of at least 1/4 per cent as a clear signal to the market that the policy of ease was being continued. Also, since it appeared that in the relatively near future additional reserves would be required, he would favor a reduction of reserve requirements against time deposits. He would not change the existing policy directive.

Mr. Fulton said that the Fourth District continued to lag behind the rest of the nation and that statistics for the district



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failed to show improvement. The recent increase in the steel rate was temporary in nature, being attributable largely to orders in anticipation of a rise in the price of steel, which seemed imminent come the first of July. Despite the fact that there was some volume of orders coming in from small steel users whose inventories had been reduced to low levels, steel men expected the month of July to be the worst month of the whole year. While they did expect some pickup in August, with initial orders for steel for the new model automobiles, it appeared that the automobile manufacturers were going to play the situation close to the vest.

Mr. Fulton then commented on the reasons for a recent reduction of \$2 a ton by companies furnishing steel to Detroit. His explanation indicated that this local situation had no bearing on the general picture with respect to the price of steel, and it continued to be the expectation, he said, that the price of steel would go up. By and large, the outlook was for a continued low level of production and that, along with low levels in the metal working industry, would reflect itself in increasing unemployment. Additional cities in the Fourth District had been added to the category of distressed labor areas, and in those areas the situation had had some effect on food sales, including the selection of foods. While there had not been a drop in total sales from last year, the rate of increase had diminished. Department store sales for the district were down about 5 per cent on the average from last year,

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against a drop nationally of about 2 per cent, and automobile sales were down sharply in the Cleveland and Cincinnati areas. Bank loans were moving down, but to some extent that might be attributed to a desire on the part of the banks to obtain the degree of liquidity which was lost some time ago. No indication of softness was seen yet in published prices, and some indication of price maintenance might be found in the fact that two recent wage negotiations had culminated in new contracts calling for wage increases of approximately 5 and 7 per cent, respectively.

Mr. Fulton expressed the view that the present degree of ease was appropriate to the situation and said that most assuredly he would not want any indication of tightness to develop in the market. In his opinion the Desk had done a good job since the last meeting in the light of the conditions surrounding the Treasury financing, and he would like to see the present degree of ease maintained. He subscribed fully to the thinking that a reduction in reserve requirements to supply reserve needs in the immediate future would be quite appropriate, provided the action was accompanied by an explanation of the reasons therefor, but he would not touch the discount rate at this time. He felt that there was not at this time a great deal of confidence on the part of businesses or individuals that the recession had hit bottom. Despite the thinking of some people that a bottom had been reached and that a turn-around was imminent, he did not believe that any

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immediate developments in that direction would be of such a magnitude as to indicate that recovery was here and that the System should tighten its reins.

Mr. Robertson said that to him the economic report indicated very clearly a leveling out or possibly an upward movement. Although the System ought to try very carefully to catch the turn before inflationary forces emerge, he did not feel that this was the right time to start tightening. Rather, this was a time to sit still and watch carefully, making sure that no indication was given of any tightening or, on the other hand, any easing. He would refrain from any action on reserve requirements or the discount rate and would seek a level of free reserves of about \$400 million, with leeway on either side to account for the tone of the market. While this was not the time for action, it was, however, a time for thinking. It might be necessary, for example, to do something about margin requirements in view of the volume of credit going into the stock market; he commented on the fact that stock prices have risen disproportionately to the earnings records of corporations. Although no action might be called for at this time, that situation should be watched carefully.

In summary, Mr. Robertson said, he would maintain as even a position as possible for the next three weeks.

Mr. Mills said that his comments at this meeting would focus upon the mechanical functioning of credit policy. In that connection,

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until the present digestive period of Treasury financing was over, along with the tax payment period, he believed that it would be necessary for the Manager of the Account to give whatever assistance might be required to the market to allay any suspicion of a change in the direction of System policy. However, when that short period was past it would seem appropriate to implement the line of reasoning expressed by Mr. Thomas which would call for moderating the degree of aggressiveness with which reserves had been supplied through the commercial banking system over the past months. To that end he would propose a line of policy such as indicated in the following statement:

1. Continuing to believe that System policy, in supplying reserves in recent weeks, has been overgenerous and that as

2. the objective was reached and the economic purpose achieved some time ago of raising the money supply, there is

3. a distinct risk that any further heavy injections of reserves seeking to maintain a positive level of free reserves in the \$500-million range would abet the speculative factors in the U. S. Government securities market that are already in evidence, and

4. would have the more serious effect of underwriting a new inflation by creating excessive liquidity, in the process of which

5. support would be given the existing rigidities in the wage-price structure that stand in the way of sought after economic adjustments.

Therefore, under these circumstances,

6. advantage should be taken of the interval before a new Treasury financing operation to allow natural factors affecting the supply of reserves to have free play, to the end that

7. System policy will set adequate credit availability as its objective and only supply such reserves as are necessary for that purpose, which would mean that

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8. rather wide fluctuations in the prices of intermediate- and long-term U. S. Government securities should not be a cause of concern or a reason for specific System action, except in the unlikely case of a disorderly market, but

9. rather should be regarded as a reflection of the working of free market forces that would presumably eliminate some of the speculative elements now in the market.

10. The conduct of a System policy looking to these objectives would contemplate that the Manager of the System Open Market Account would be guided largely by the feel of the market when supplying reserves, rather than any set level of positive free reserves as a goal.

11. In keeping with this policy, another reduction in reserve requirements would not be made unless further substantial withdrawals of gold or a pattern of downward movements in the supply of reserves to levels as low as those that have been projected for near-by weeks should make that action necessary.

In further comments, Mr. Mills said he believed there should be no concern if the level of discounts at the Federal Reserve Banks should rise, because seemingly that would indicate that some of the excessive reserves would be squeezed out of the market as the banks adjusted their positions to a more realistic scheme of reserve supplies. He did not believe that any change should be made in the discount rate at the present time.

Mr. Leach said that although on balance there was no evidence of further decline and only slight evidence of further improvement in the Fifth District, there was nevertheless a definite optimistic attitude that was striking by reason of its prevalence. The complex diversification of the textile industry made it difficult to get a

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clear and comprehensive picture of the current situation, but he did not sense in recent developments any material changes for better or worse. At the joint meeting of the Bank's directors last week, two of the directors expressed the opinion that although many marginal producers had gone out of business, still others would have to go before much fundamental improvement in textiles could be achieved. Reports from a number of residential builders and lenders indicated a sharp upturn in building activity last month that had continued this month. The most common rate on conventional loans now ranged between  $5\text{-}1/4$  and  $5\text{-}1/2$  per cent, with the average on the low side, and many prime mortgage loans were being made as low as 5 per cent. Increased building activity had strengthened the demand for lumber and firmed prices, and retail lumber yards appeared to be more willing to stock up than they had been. The West Virginia picture had brightened slightly since the last Committee meeting. Production of bituminous coal had increased a little even though exports, which had been giving indications of leveling off, declined. The latest report on insured unemployment showed a decline, 18 per cent of which was due to expiration of unemployment benefit rights.

Mr. Leach went on to say that the opinion was expressed by several of the directors at the joint meeting last week that the recession had not consisted solely of minus signs. Many things long needing to be reviewed and improved in business had received

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a searching scrutiny, with consequent cost-cutting improvements in efficiency of operation and administration.

Mr. Leach said he did not believe that there had been sufficient change in the economy to warrant a change in current policy or in the degree of ease maintained. Current projections indicated that additional reserves would have to be supplied in the near future to maintain the degree of ease that had been the System's goal, and he believed that this should be done through the medium of reserve requirement changes rather than through open market operations. Although he thought that a case could be made for a reduction in the discount rate, he would not favor a reduction because, regardless of the facts, it would very probably be interpreted by some as a move toward further ease. He believed that the System had already made its contribution and he would not like to give any indication of wanting to ease further. A reduction in reserve requirements likewise might be regarded by some as an indication of further ease in the absence of some statement explaining why the action had been taken.

Mr. Leedy said that there had been no material changes in the Tenth District since the last meeting of the Committee. As to policy, he agreed with those who favored continuing during the next three-week period about as at present. It seemed to him that the Desk had accomplished quite a bit in making very large purchases of Treasury bills in an attempt to maintain about the degree of ease

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contemplated. In view of these purchases it was rather surprising to him that the bill rate had edged up to the extent that it had. Projections for the period after the next two weeks indicated that over the longer period, with seasonal demands coming into the picture, some permanent addition to reserves would be required, and he would like to see those reserves supplied by a reduction in reserve requirements. However, as had been suggested by others, he thought that an effort should be made to obtain general understanding that the action was not a further anti-recession move.

Mr. Leedy did not see that any purpose would be served at the present time by a reduction of the discount rate. Certainly the rate need not be reduced as an anti-recession measure, and he had some concern that a reduction might be interpreted as being of that nature. Actually, with the low level of borrowings at present, the question seemed somewhat academic. Rather than to undertake to lead the short-term market by any indication on the part of the System through the discount rate, he would prefer a later adjustment, if that should become necessary in the light of the rates established by the market.

In summary, Mr. Leedy said, he would continue as at present, neither increasing the degree of ease nor reducing it in the period immediately ahead, and he would take no other actions aside from supplying needed reserves through a reduction in reserve requirements when that became essential.



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Mr. Allen said that the accumulating evidence that the economy had begun to move up slowly from its low point was showing up in the Seventh District in a number of ways. First, in all of the States of the district there was some improvement in labor market conditions. New claims for unemployment compensation were still running substantially above last year, but in recent months the percentage of increase over a year ago was declining. Second, department store sales, while markedly poorer than in the nation as a whole, were improving. Third, building activity showed signs of picking up more than seasonally. F. W. Dodge figures on contract awards for Region V, which includes Minnesota and the Dakotas in addition to Seventh District States, showed that in April the decline from a year ago was only 4 per cent, much less than in earlier months. Fourth, steel pourings at the present time were above 60 per cent of capacity in Detroit and over 70 per cent of capacity in Chicago. The low in April was 12 per cent for Detroit and 54 per cent for Chicago. Fifth, cash receipts from farm marketings were showing very noticeable improvement in Iowa, with March receipts 20 per cent above a year ago. Wisconsin was somewhat above last year, whereas Illinois, Indiana, and Michigan were slightly below. Crop conditions over most of the Seventh District were favorable, which meant that in parts of the district conditions were substantially improved from a year ago.

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Continuing, Mr. Allen noted that commercial and industrial loans of all weekly reporting banks in the nation dropped another \$428 million in the three weeks ended June 4, of which total Seventh District banks accounted for almost one-fourth, with metal firms representing a large part of the drop in the district. In the week ended June 11, Chicago banks showed an increase of \$21 million in commercial and industrial loans, which was undoubtedly associated with corporate tax payments. For obvious reasons, it was not expected that tax borrowing would come close to a year ago or even to March of this year. Money market banks as a group continued to maintain a surplus reserve position and borrowings at the discount window were practically negligible.

Mr. Allen said that at the joint meeting of the head office and Detroit Branch directors held on June 12 the following were among some of the things mentioned. First, the steel industry had not decided whether to increase prices on the first of July. There were differences of opinion and those who argued against an increase mentioned industry statesmanship and the threat of competing metals. It was believed, however, that prices would be increased. Second, the Sears Roebuck fall catalogue was to show price reductions averaging 1-1/2 per cent. Third, effective the first of July there would be decreases of 1/2 per cent in the rate paid on savings deposits by a number of institutions. In some cities where savings

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and loan associations are active, both those associations and the banks were going to reduce by 1/2 per cent and thereby retain existing differentials. Fourth, the favorable crop conditions would benefit the railroads in the area, which would be particularly welcome to those roads that had had hard going. Fifth, the directors from Michigan differed as to whether the existing contract stalemate in the auto industry was working to the benefit of the unions or management, but there seemed to be a majority feeling that time was on the side of the unions. Sixth, in Flint, where unemployment is high, bank deposits were steady, collections were excellent, and the mortgage business was picking up. It was said that persons with unencumbered homes were taking mortgages in order to retire indebtedness of various types, perhaps with encouragement from mortgage lenders. Seventh, the late May surge in auto sales was minimized in some quarters by the widespread use of selling contests. However, one study showed that new car sales had hit a cyclical low and had turned upward. Another recent poll indicated that consumers were planning to buy more cars in the next twelve months than an earlier survey had indicated. It was understood that the average introduction date for 1959 models would be somewhat earlier than last year. New car inventories on May 31 were 755,000, which was below the figure on the same date a year ago, but the present inventory represented 45 days' sales whereas a

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year ago the figure was 3 $\frac{1}{4}$  days. Production for the second quarter was estimated at 1 million cars, while the estimates for the third and fourth quarters were 600,000 and 1,250,000, respectively.

Thus far, Mr. Allen said, it seemed agreed that the economy had begun to move upward, however slowly. The chief worry in recent months, as far as he was concerned, was not that the country had experienced a recession, because that was to be expected following the sustained boom and the general level of business had been quite good. Rather, it had been his worry that the recession would continue in a downward spiral. Inflationary tendencies were still such that he felt the System must try to call the turn and shift from its policy of ease just as soon as the upward movement seemed more definite, but he was not yet willing to say that in his judgment such a time had come. For the next three weeks, he felt that the System should do its best to stay just about where it was, erring neither on the side of ease nor on the side of restraint. Perhaps, however, the signs would be clearer three weeks from today to the point that an overt act one way or the other would be in order. In concluding, Mr. Allen said he was not one who would argue that temporary or seasonal reserve needs should be met by a reduction of reserve requirements. Instead, he would say that those needs should be met by open market operations.

Mr. Deming said that there had not been much change in conditions in the Ninth District. Agricultural prospects had

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diminished a little due to lack of adequate rail sections, but the situation was not serious and in fact was still quite good. Almost certainly, farm income would be higher than last year. On the nonagricultural side, expansion had been of something less than seasonal proportions. Nonagricultural employment in May was 1,360,000, about 35,000 less than in May 1957, while unemployment was estimated at 69,000, or about 36,000 more than a year earlier. Although unemployment had fallen seasonally in the last three months, the total number of unemployed had continued to exceed last year's totals by about the same amount. In other words, the actual number of unemployed had fallen each month by about the same amount as last year but the decline started from a higher total. Roughly one-third of the employment drop in May from year-ago levels was in mining, with iron ore mining accounting for about 60 per cent of the decline and copper mining about 40 per cent. Thus mining employment was about 25 per cent less than a year ago, and it looked as though it was going to hang there for the balance of the year. Copper mining appeared to be showing a little more strength at the present time and the Anaconda Copper Company had just announced a price increase, so things might be looking a little better in Montana. In summary, the Ninth District was going along about as it had been and was not being affected as seriously by the

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recession as some other regions.

As to policy, Mr. Deming said he agreed with those who advocated about the same conditions as had prevailed for the past three weeks. He was content with current policy and with its execution.

Mr. Mangels said that some recent rather preliminary reports covering business activity in the Twelfth District indicated that the usual spring pickup might be developing a little more favorably than appeared earlier. In the State of California, manufacturing employment increased more than seasonally in May, but for the district as a whole employment gains were about what was expected on a seasonal basis. In the Seattle area, aircraft employment was a little better, while in Southern California there were reports that some companies expected to release about 5,000 employees within the next few months. Steel production in the district increased 8 per cent in May over April and production was now at about a 75 per cent rate, some 15 per cent higher than the national average. In the lumber business there had been some improvement in both April and May. Douglas fir orders improved in both months and plywood prices strengthened because of improved demand, but in other types of lumber the situation was about as it had been, with little change in demand. In the construction

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industry, heavy engineering contracts showed a 25 per cent increase in May over April, although the total was still below a year ago, while FHA and VA applications were about double the level of May 1957. Bank loans had not changed much, but were up a little in the last three weeks, and San Francisco banks reported that applications for loans to pay taxes were nominal. Demand deposits were down but time deposits continued to increase. There had been no announcement of any change in the savings deposit interest rate but it was quite generally expected that effective the first of July there would be a reduction to about 2-1/2 per cent. The strategy appeared to call for announcing at about the same time a reduction in mortgage loan rates, and apparently savings and loan associations also were going to follow somewhat the same technique. Borrowings from the Federal Reserve Bank had been nominal; as to Federal funds, the large banks had been buying and selling in about equal amounts although at lower levels than in the past.

Mr. Mangels said that he sensed a somewhat firmer undertone of confidence in the area on the part of both businessmen and the public. The possibility was seen that the recession might be approaching bottom, with the further thought, however, that the bottoming-out process might take some time. There appeared to be no shortage of credit for constructive purposes, but Mr. Mangels

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was somewhat concerned about the amount of credit being used for speculative purposes, particularly in the Government securities market. He did not feel that the present degree of monetary ease should be increased, and he suggested that \$500 million of free reserves be used as an objective, with the thought of staying rather close to that figure. He would not favor any change in the discount rate at this time nor would he like to recommend any change in reserve requirements at this time. The directive seemed to him satisfactory, although perhaps at the next meeting or some time thereafter, the Committee might want to give thought to a change.

Mr. Irons said that on balance national developments were on the encouraging side; perhaps for the last six weeks or two months the trend had been in that direction. As to the Eleventh District, he would not take time to identify the various developments but would simply say that economic conditions in the district were unusually good. At the most recent board meeting, directors from the branches suggested by the tenor of their reports that if this was a recession they would not do anything to discourage it. The oil industry, of course, was a drag on the economy but the situation there seemed to be improving.

As to policy, Mr. Irons said that in the light of the economic situation he would feel strongly against taking any action



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which would add to the present degree of ease. Like Mr. Mills, he believed the System had been liberal in providing reserves, and he would be delighted if the market would firm up a little. In other words, he favored a policy of ease but not one as aggressive as that followed until recently. During the past three weeks, he said, the Account Management had done an excellent job under difficult conditions. It had managed to take up some of the sloppiness in the market and, by de-emphasizing the statistic of free reserves and being concerned more with the feel of the market and short-term rates, it had brought about a better situation. Mr. Irons said he would not favor any change in the discount rate since he saw no reason for a change; neither would he favor a reduction in reserve requirements at this time for he did not think that a reduction would accomplish the objective of meeting the anticipated seasonal situation. Banks would not be likely to sit still and hold reserves waiting for a time in the future. Rather, if reserve requirements were reduced now and \$400-\$500 million of additional reserves were provided, the banks would act to invest the funds quickly and subsequently, when seasonal requirements appeared, the banks would be found to be fully invested. With that in mind, he believed it would be better to feed in reserves gradually, and as needed, through open market operations. If they were supplied by a reduction in reserve requirements now, additional

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reserves might have to be supplied later, thus providing a "double dose." Mr. Irons agreed with Mr. Robertson that the situation in the stock market should be watched closely in the light of the increasing amount of credit going into the market and that a change in margin requirements could be indicated in the not too distant future. He would not want to recommend changing the policy directive although, as he had said at recent Committee meetings, if anyone wanted to delete the word "further" from clause (b) of the directive, he would favor that.

Mr. Erickson said that although not too many statistics were available for the month of May, those that were available indicated somewhat more strength than in April. Nevertheless, he could not say that optimism was evident in the First District. Most manufacturing indices were following roughly the national pattern, but shoes for the first four months of the year were 12 per cent below last year, as compared with a drop of 5 per cent nationally. Insured unemployment declined during May but for the month was still more than double the year-ago figure. Department store sales were up 3 per cent for the first week in June, but for the year to date they were 3 per cent behind 1957. The April collection record was better than last year, strength continued in the main store sales relative to basement sales, and there had been an unexpected increase in dress sales. The

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Massachusetts consumer price index dropped .2 per cent in May, which was the first decline since last August. Registrations for summer camps began slowly this year, but by the end of April operations at 85 per cent of capacity were assured.

Mr. Erickson said that when he considered all factors, including seasonal factors, he would make no change in the policy directive or in the discount rate. He felt that the present posture of ease should neither be increased nor decreased, and certainly the target should not be changed. He would leave it to the Manager of the Account to judge the feel of the market.

Mr. Szymczak said that although he would like to take a position similar to that expressed by Messrs. Mills, Robertson, and Irons, he was a little confused. There were many uncertainties in the economy and there would be a need for additional reserves due to seasonal and other factors. He felt that the Committee ought to vary the free reserve position, with changes in the level from time to time as the market permitted. He would favor reducing reserve requirements at a suitable time and then using open market operations in reverse to permit a varying degree of positive free reserves, thus getting away from a set figure. Margin requirements should be considered in the course of time, but he did not feel that there should be any change in the discount rate at present. For the purpose of departing from a fixed pattern of free reserves

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as well as for the purpose of providing for seasonal needs, he would change reserve requirements now, since there might not be a chance to do so later.

Chairman Martin referred to comments which he had made at the last Committee meeting about Federal Reserve policy and said he continued to feel that the current policy was about right. If so, he suggested, the System ought not to force its luck unduly. For the first time, he detected a feeling around the country that monetary policy might be too easy, and this was something that ought to be taken into consideration. On the matter of public psychology and interpretations of System policy, if it were not for the flowing reserve picture the best thing, in his opinion, would be to do nothing at all and let things stay just about where they were. With labor negotiations in progress and the wage-cost-price relationship still a fundamental problem in the economy, he felt that it would be simply asking for trouble to take any overt action which would have to be explained. In his opinion, for example, a reduction in reserve requirements could not be explained satisfactorily on the basis of technical long-run considerations. Likewise, there would be great difficulty in attempting to explain that a reduction in the discount rate was not an anti-recessionary movement or an indication that the System considered the country to be in a bearish period rather than a period of leveling off. He was not certain and he might be wrong, but personally he would not

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want to take action. In making these comments, he brought out, he was talking about the period of the next three weeks.

Continuing, Chairman Martin said that the present situation was not one of recovery, boom, or decline. He then expressed the view that the best thing to do for the next three weeks would be to try to follow the color, feel, and tone of the market and not get unduly easier or tighter. He felt that the Account Management had done a good job in this respect during the past three weeks, responding when it had to respond. Unlike Mr. Johns, he thought that at times it would have been desirable to be a little less easy.

Chairman Martin then said that it was his own view, and, he believed, the majority view--with some variations in degree--that there should be no change at this time in the policy directive, the discount rate, or reserve requirements. What might happen after the next Committee meeting on July 8 was, of course, a different story, since the summer doldrums were approaching. He would not want to give labor negotiators or others any indication of Federal Reserve thinking on policy, he would not want to validate a price level or to invalidate it, and he would not want to play a larger role than monetary and credit policy should appropriately play. While in his own view, and apparently that of the majority, the System should stay about where it was now, the situation should be watched carefully during the next three weeks. For the feel, color, and tone

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of the market, responsibility should be placed on the Management of the Account. Then, three weeks from now, another look could then be taken at the situation.

Mr. Hayes questioned whether there was a clear majority opinion against a change in reserve requirements, stating that he sensed quite a lot of feeling that this was an opportunity to take such action. With reference to the comments made by Mr. Irons, it appeared from looking at the reserve projections of the New York Bank, and perhaps from the projections of the Board's staff also, that there would be an almost immediate reserve need and the banks would not have a chance to use the reserves to expand their investments.

Chairman Martin replied that he fully understood the point. However, in his view it would be almost impossible to explain a reduction in reserve requirements to the public on the basis of technical considerations, and he felt that it would be a great mistake to attempt such an explanation.

Mr. Mills commented that, leaving aside the technical problem mentioned by the Chairman and turning to the point of view expressed by Mr. Hayes, it appeared to him that the anticipated need for substantial amounts of reserves might, if the projections were realized, make a reduction of reserve requirements the only logical choice. The alternative would be very large purchases of

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Treasury bills by the Account, and if the Account were to go in and purchase aggressively against the available supply of bills at a time when corporations and banks were back in the market, there would be a strong possibility of depressing bill yields to a very low level and increasing the spread between the bill rate and the discount rate to a point that would be distinctly unrealistic. He would not like to reduce reserve requirements but he was inclined to believe that this might be the only reasonable choice in the near future if present reserve projections came to pass.

Mr. Fulton stated that Mr. Mills' comments reflected his own thinking, and Mr. Leach said that in suggesting a reduction in reserve requirements he had had in mind that he would not like to see the bill rate driven down too far.

After some further discussion of the reserve projections, Chairman Martin said that the Board of Governors would bear the problem of reserves in mind.

With regard to the decisions to be made at this meeting, the Chairman inquired whether in his previous comments he had correctly outlined the majority position as to general policy, and no dissents were heard. Turning to Mr. Rouse, the Chairman asked whether he saw any need for a change in the directive and Mr. Rouse replied in the negative.

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Thereupon, upon motion duly made and seconded, the Committee 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 contributing further by monetary ease to resumption of stable growth of the economy, 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.

Mr. Hayes reported that the Federal Reserve Bank of New York had discussed with the New York Clearing House Association the publication of aggregate figures for Clearing House banks on required reserves, borrowings from the Federal Reserve Bank, and Federal funds borrowings.



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He recalled that in its report last year the Clearing House Association made such a proposal, except that the figures were to be made available only to the Clearing House banks. The New York Bank, on the other hand, felt that it would be helpful if those figures could be made public. A letter had now been received under date of June 2, 1958, stating that the Clearing House Association had discussed the matter and had concluded that the proposal was not acceptable. However, the Clearing House would be willing to accept the plan if it were expanded to provide for making public similar information for banks in other cities.

Mr. Hayes said that although he had some sympathy for the position of the Clearing House, he thought that the significance of the matter had been greatly exaggerated. He went on to say that he had reported to the Presidents' Conference yesterday and had suggested referring the question to the Federal funds study group, which was already preparing to consider the desirability of collecting broader statistics than the Clearing House had suggested. If this were done, the Clearing House could be told that the System was looking into the matter and would be unable to give any definitive reply in the near future.

Chairman Martin inquired whether any objection was seen to handling the matter along the lines suggested by Mr. Hayes,

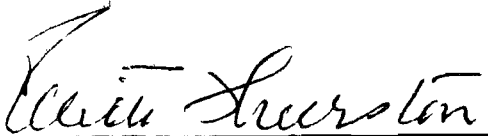
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and no objection was heard.

It was agreed that the next meeting of the Federal Open  
Market Committee would be held on Tuesday, July 8, 1958, at 10:00 a.m.

Thereupon the meeting adjourned.

  
Assistant Secretary