

TOPICS SUGGESTED BY THE BOARD FOR MEETING WITH FEDERAL  
ADVISORY COUNCIL ON FEBRUARY 15-17, 1948.

1. It is estimated that after the first quarter of this calendar year, the Treasury will pay into the market for current expenditures and debt redemption more than it will receive from taxes and sales of securities. This excess of payments, which may amount to as much as \$2 billion in the second quarter, together with a continued gold inflow, which may equal half a billion dollars a quarter, and purchases by the Federal Reserve Banks of additional securities from nonbank investors and from banks needing reserves, will add considerably to bank reserves.

In the opinion of the Council, what measures should be adopted to restrict the use of these additional reserves for further expansion of bank credit:

- a. Should Congress grant authority to raise existing reserve requirements (as distinguished from the special reserve plan) of member banks and to impose correspondingly higher reserve requirements on non-member banks, with the understanding that the additional reserves required of nonmember banks will be held with the Federal Reserve Banks? The Federal Advisory Council joined in a similar recommendation on December 31, 1940.
- b. Should the present policy with respect to support of the Government securities market be maintained regardless of further inflationary developments?
- c. Or, should the Federal Open Market Committee sell securities in the market in an amount sufficient to absorb additional reserves which will come into the market after the first quarter and permit Government bonds to decline to whatever extent may be necessary?

2. Should discount rates be increased further? If so, how much? What should be the timing of such action?

3. What measures are being taken by banks to restrict credit under the A.B.A. voluntary program and what results are being obtained?

4. Are there any areas in which loans being made by banks involve greater credit risks than have been the case in the period since the war?

5. It appears that recently there has been a resumption of the practice by certain large depositors of requesting that the depository banks furnish them more detailed information regarding the condition of the banks than is given to depositors generally. This matter was discussed at the meeting of the Board with the Council on May 14, 1945, at which time differing views were expressed by members of the Council concerning the imposition of a prohibition by law or regulation upon banks giving such information. The Board would appreciate it if the Council would discuss this matter again and advise the Board as to (1) the desirability of the supervisory agencies joining in a statement to banks in their respective jurisdictions which would suggest that banks adopt a practice of not making available to large depositors information which was not given to their depositors generally; (2) what, if any, other action might be taken by the supervisory agencies; and (3) the considerations that should prompt the supervisory agencies in any action that they might take.