

Board Meeting
10/19/44
KRB.

INTEREST RATE PROSPECTS

I. Introductory

- 1. Reasonable request - but definite prediction
- 2. More important to investor, who commits his funds, than to central banker, who doesn't commit himself
- 3. Many willing to predict

A. C. L. Benner, V.P., Continental American Life - Wilmington, Del.

B. Ivan Wright - Brooklyn College
"It would be no surprise to see interest rates within 3 to 5 years after the war back to the level of the early 20's when long-term Government bonds yielded from 4 to 5 per cent."

II. Judgment based on analysis of factors considered important

Not independent of what we do

1. Basic factors in free enterprise system

A. Demand for and supply of funds - saving and investment

a. Formerly supply exceeded demand in depression

National easy-money policy

*was very important
Morgenthau's views
reasons are bad*

b. Demand exceeded supply in prosperity

**New factor: large national
income equals large savings**
irrespective of the rate

2. Control of capital market?

3. Technical factors

A. Member bank reserves