

FIELD ROUND TABLE CONFERENCE
CENTRAL CITY BANKERS
Benjamin Franklin Hotel, Philadelphia
Monday, November 22, 1948 - 4 to 9 p. m.

(K. R. Bopp's notes)

OBJECTIVE: To contribute to economic stability at high levels of employment and income thru influencing the flow of expenditures.

METHOD: Indirectly by influencing the volume of money - VELOCITY (!)

INSTRUMENTS: Influence of amount of reserves and reserve requirements

Objective: to influence flow of expenditures

A. A matter of judgment as to prospects
the most distrusted prosperity in history

1. 1946 ↓ in Government Expenditures - C.E.D.
2. Fall 1946 ↓ stock prices
3. $\frac{2-3}{4}$ 1947 ↓ Inventory boom
4. $\frac{1-2}{4}$ 1948 ↓ Private export boom
Large cash surplus of Treasury
Break in farm prices

B. What is the outlook today?

Raymond Rodgers
Obviously a matter of judgment
The Gross National Expenditure approach

Weak spots - Raymond Rodgers

Construction - esp. high priced single dwellings	
- plant and equipment to make up war shortages	
Export boom off	Bumper crops
Cotton textiles	Corn
Shoes	Wheat
Men's clothing	Cotton
Liquor	
Housefurnishings	
Paper	
Coal	
Radios	
Semi-luxuries	

Method and Instruments

- A. The Fed has felt since July 1947 that it should exercise restraint.
- B. ~~Can't~~ influence expenditures directly but thru volume of money - even that indirectly thru amount of reserves and reserve requirements. (No control over velocity)

Federal Reserve System			
Gold	\$23 bil.	Notes	\$24 bil.
Governments	23	: Deposits	22
Discounts		: Res. bal.	\$20
		:	

II. FEDERAL RESERVE PROGRAM OF RESTRAINT SINCE JULY 1947

- A. Reducing holdings of short-term Governments
July 1947
 - 1. Increase in rate of bills
 - 2. Increase in rate of certificates
- B. November 1947 - request for additional authority over reserves
- C. November-December - heavy selling of long bonds to the Federal
 - 1. Reluctant purchases on the scale down
 - 2. December 24 - abrupt lowering of pegs
1948
- D. January - increase in discount rate from 1 to 1 1/4%
- E. February 27 - central reserve city requirements increased 2%
- F. April - repeat request for additional powers
- G. The summer interruption
 - 1. May 13 - announcement on June and July refundings
- H. June 11 - central reserve city requirements increased 2%
- I. August - increase in discount rates from 1 1/4 to 1 1/2%
- J. Special session of Congress
 - 1. Consumer credit controls
 - 2. Increased authority over reserve requirements
Inference to use before \downarrow support prices
- K. September 16-24 - reserve requirements increased by 2% and 1 1/2%

Over-all results since June 30, 1947

Gold Cert.	/ 2.8	:	Notes	-
Governments	/ 1.0	:	Deposits	/ 4.7
		:	- non res.dep.	.8
		:	Reserves	<u>3.9</u>

Requirements	Feb.	2%	.5
	June	2%	.5
	Sept. 2-1	1/2	<u>2.0</u>
			3.0

What do we do from here on?

Depends on prospects.

If up,

Do nothing

Increase short rates

" long rates

" reserve requirements