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FROM JOE CALIFANO
TO THE PRESIDENT
CITE WDS0523

Received:
12:04 P.M. Monday 29 November 1965

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THERE FOLLOWS THE TEXT OF AN URGENT MEMORANDUM TO YOU
FROM GARDNER ACKLEY CONCERNING INCREASE IN INTEREST RATES BY
FEDERAL RESERVE BOARD.
QUOTE

NOVEMBER 29, 1965

MEMORANDUM FOR THE PRESIDENT

SUBJECT: AVOIDING A DISCOUNT RATE RISE

1. AS JOE FOWLER HAS INFORMED YOU, THE FEDERAL OPEN MARKET COMMITTEE AT ITS MEETING LAST WEEK MADE NO CHANGE IN MONETARY POLICY. HOWEVER, CHAIRMAN MARTIN EXPRESSED HIS INTENTION TO VOTE TO APPROVE AN INCREASE IN THE DISCOUNT RATE IF IT IS PROPOSED BY ANY REGIONAL FEDERAL RESERVE BANK.
2. THREE OF THE REGIONAL BANK BOARDS ARE SCHEDULED TO MEET ON THURSDAY OF THIS WEEK. AT LEAST ONE -- IF NOT ALL THREE -- WILL PROPOSE A DISCOUNT RATE HIKE. BEFORE IT CAN BECOME EFFECTIVE, ANY SUCH INCREASE MUST BE APPROVED BY THE BOARD OF GOVERNORS. IF THE BOARD APPROVES ONE BANK'S PROPOSAL, THIS IS ALWAYS FOLLOWED AT ONCE BY THE OTHER BANKS, WITH APPROVAL TAKEN FOR GRANTED.
3. IN ADDITION TO CHAIRMAN MARTIN, TWO OTHER MEMBERS WILL SURELY VOTE TO APPROVE A DISCOUNT RATE INCREASE; THREE WILL SURELY BE OPPOSED. THE KEY VOTE WILL BE CAST BY GOVERNOR DEWEY DAANE.
4. GOVERNOR MAISEL BELIEVES THAT DAANE'S VOTE AGAINST A DISCOUNT RATE INCREASE CAN BE OBTAINED, ALTHOUGH HE NOW PROBABLY LEANS IN FAVOR OF IT.

Maisel
working
with
administration

DAANE REPRESENTS THE ADMINISTRATION IN A NUMBER OF INTERNATIONAL FORUMS, INCLUDING THE GROUP OF TEN. SECRETARY FOWLER COULD POINT OUT TO DAANE THAT IT WOULD BE INAPPROPRIATE FOR HIM TO CONTINUE TO REPRESENT THE ADMINISTRATION IF HE VOTES AGAINST A CLEAR ADMINISTRATION POLICY POSITION.

IF THIS FAILS, MAISEL BELIEVES THAT A CLEAR COMMUNICATION OF YOUR VIEWS TO DAANE -- PERSONALLY OR THROUGH AN INTERMEDIARY (E.G., DRUG DILLON, WHO RECOMMENDED DAANE'S APPOINTMENT AS GOVERNOR) -- COULD PERSUADE HIM TO WAIT UNTIL THE SITUATION CLARIFIES IN JANUARY.

5. THE BOARD WOULD NORMALLY CONSIDER A THURSDAY RECOMMENDATION AT ITS MEETING ON FRIDAY OR MONDAY. IF YOU SHOULD DECIDE TO MEET WITH THE QUADRIAD ON FRIDAY, YOU MIGHT BE ABLE TO PERSUADE CHAIRMAN MARTIN TO VOTE AGAINST A DISCOUNT RATE INCREASE AT THIS TIME. HOWEVER, BECAUSE HE IS ALREADY ON RECORD WITH HIS COLLEAGUES AS PREPARED TO VOTE IN FAVOR, I BELIEVE THAT IT IS PRUDENT TO TAKE OUT INSURANCE BY WORKING ON GOVERNOR DAANE.

Nothing else sent to
Central Files as of 2/14/66 LB

UNQUOTE

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SIGNED
GARDNER ACKLEY

DTG: 29/1727Z NOV 65

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