A meeting of the Board of Governors of the Federal Reserve System with the Federal Advisory Council was held in the offices of the Board of Governors in Washington on Tuesday, February 15, 1949, at 10:30 a.m.

PRESENT: Mr. McCabe, Chairman
Mr. Eccles
Mr. Szymczak
Mr. Draper
Mr. Vardaman
Mr. Clayton

Mr. Carpenter, Secretary

Messrs. Potts, Congdon, Fleming, J. T. Brown, Edward E. Brown, Hemingway, Atwood, and Odlin, members of the Federal Advisory Council from the Third, Fourth, Fifth, Sixth, Seventh, Eighth, Ninth, and Twelfth Federal Reserve Districts, respectively

Messrs. Thomas P. Beal, John C. Traphagen, and Joseph C. Williams, who were attending the meeting as alternates for Messrs. Spencer, Burgess, and Kemper, members of the Federal Advisory Council from the First, Second, and Tenth Federal Reserve Districts, respectively (Mr. Woods, member of the Council from the Eleventh Federal Reserve District, did not attend the meeting and no alternate to attend in his absence was appointed)

Mr. Prochnow, Secretary of the Federal Advisory Council

At its separate meeting before this joint meeting, the Federal Advisory Council selected Mr. Edward E. Brown as President of the Council, Mr. Spencer as First Vice President, Mr. Fleming as Second Vice President, and Messrs. Edward E. Brown, Spencer, Fleming, Burgess, Potts, and Congdon as members of the Executive Committee of the Council, for the current calendar year. Mr. Prochnow was reelected as Secretary of the Council for the year 1949.

In accordance with the procedure established on December 3, 1946, the Federal Advisory Council submitted to the Board of Governors before this meeting a memorandum of topics to be discussed with the Board. The statement of the Council and the discussion of each of the topics at this meeting were as follows:

1. Authority of the Board of Governors to increase reserve requirements of banks.

Discussion on bank reserves.

The President, in his Economic Report, recommended that Congress provide continuing authority to the Board of Governors to require banks to hold supplemental reserves up to a maximum of 10 per cent of demand deposits and 4 per cent of time deposits and that this authority be made applicable to all insured banks. For consideration in connection with the proposed legislation, the Board would like to know the views of the Council as to the desirability of making provision for authority to allow some return to the banks upon the supplemental reserves required.

The Council wishes to preface its comments on this discussion with the following statement on bank reserves as expressed in the Council's Memorandum to the Board of Governors on November 22, 1948:

"The Council further believes that increasing bank reserves is not the proper method of dealing with the problem of inflation. One of the results of an increase in bank reserves under current conditions is the transfer of government securities from banks to the Federal Reserve System, thereby largely nullifying any possible benefits from increasing the reserves and making the problem of debt management by the Treasury more difficult. An increase "in member bank reserves not only makes membership in the System less desirable, but it also affects the earnings of some banks adversely. The over-all earnings of banks may be satisfactory, but the arbitrary character of an increase in reserves in all banks affects the earnings of individual banks unfairly."

Since the Memorandum of the Council to the Board on November 22, 1948, there has been a slackening in industrial activity in various phases of our economy, increasing unemployment, and the general price structure has turned downward, particularly in agricultural products. There is no way of knowing now how far this downward trend may proceed or when it will turn. In these circumstances and at this time introduction of legislation, sponsored by the Board, giving authority for higher bank reserves as proposed by the President in his Economic Report, might further unsettle the economy.

In the light of the above, the Council believes that the proposal for legislation giving authority to the Board to require banks to hold supplemental reserves up to a maximum of 10 per cent of demand deposits and 4 per cent of time deposits, applicable to all insured banks, should be reconsidered. If the Board should determine to press for this legislation, the Council would under existing conditions oppose the legislation as against the best interests of the economy, and would request permission from the Committees of Congress to appear and testify.

The Council is opposed to the payment of interest on all or any part of the balances carried by any bank in a Federal Reserve bank.

The Council does not believe it would be advisable to give the Federal Reserve System authority over the reserve requirements of nonmember banks, believing such authority would weaken the dual banking system, and might ultimately lead to its destruction. The council believes in the maintenance of the dual banking system.

President Brown stated that the members of the Council were definitely of the opinion that the country was in a recession, that they did not know how deep it was going to go, but that the business decline was spreading into new areas accompanied by a material change for the worse in business sentiment. It was the Council's view, he said, that the psychology on the part of businessmen and their customers and banks was a vitally important factor and that anything that would lead to further unsettlement or hesitation in the granting of bank loans would be unfortunate. He referred to Chairman McCabe's testimony before the Joint Committee on the Economic Report yesterday and stated that the Chairman neglected to mention that, if the increased authority were given to the System to raise reserve requirements, bankers would immediately set about putting their banks in a position to meet the new maximum requirements, that that did not mean that they would keep idle cash but rather that they would shift into short-term Governments and other forms of very liquid short-term paper and would be unwilling to extend credit at a time when the economy was turning down which would be unsettling to the confidence of the business community. He added that the Council was of the opinion last summer that authority to increase reserve requirements by ten percentage points on demand deposits and four percentage points on time deposits was larger than it should be, and that with the greater decline in business activity at the present time the Council felt even more strongly that the authority should not be granted to that extent. He made the further statement that the Council would be opposed unanimously to the payment of interest on supplemental reserve requirements, because such an arrangement, in effect, would be the same as the special reserve plan with the funds of the banks invested in special securities on which the interest rate would be adjusted from time to time.

Mr. Fleming expressed the view that whenever authority was given to the System in the past it had been used, that at the joint meeting of the board of directors of the Federal Reserve Bank of Richmond last week the directors reported a very much sharper decline in business than had been reported at the year end, that the Board of Governors was in a position where it could endanger the economy in a situation that should be a readjustment and not a deep depression, and that in the existing situation, in which mass psychology could very well play a very major role, very great caution should be used.

Chairman McCabe referred to his recent trip to the Federal Reserve Banks and branches at Seattle, Portland, San Francisco, Los Angeles, El Paso, Dallas, and Houston and stated that the views expressed by the Council were not shared by a majority of the bankers with whom he talked, that in spite of the decline in business activities there was more optimism than had been expressed by the Council even in areas where there had been a considerable decline, and that in some sections the bankers felt that the action taken by the Board of Governors had been in the interest of the banking system. He also said that, as stated in his testimony before the Joint Committee on the Economic Report yesterday, he felt that the bankers were in a stronger position with the public and Congress today than they had been at any time in the past, that on his recent trip he had not heard any criticism of the banks nor had he heard any such criticism in Washington, and that

that could not be said of some other financial groups.

Mr. Fleming stated that Chairman McCabe had not referred in his testimony yesterday to the voluntary anti-inflationary program instituted by the bankers last year and Chairman McCabe responded that he had expressed his approval of that program on other occasions. He also said that the Board was interested in establishing the banking system in the confidence of the public and Congress and putting it in a position to meet any test that may be placed upon it, and that he hoped that it would be possible for the Board and the banks to work together on the things that would enable the banking system to render the greatest possible service. He made the further statement that notwithstanding the recommendation of the President and the Board that increased authority be given over reserve requirements of banks the banks were still selling short-term Government securities and purchasing long-term issues which would indicate that they did not have any great fear that reserve requirements would be increased other than to meet an emergency situation. He also pointed out that, at the time emergency authority over reserve requirements was granted by the Congress last August, the Board had not exhausted its authority to increase reserve requirements of central reserve city banks, and that the emergency authority had not been wholly used, so that it was not correct to say that the Board had always used whatever authority had been given to it.

Chairman McCabe also reviewed the suggestions that had come to the Board that interest be paid on supplemental reserves and made it clear that the Board was not asking for such authority.

With respect to the application of supplemental reserve requirements to all insured banks, Chairman McCabe stated that he was sure that a majority of the member banks would favor such action, that on his recent trip a number of the banks commented that they would not favor the granting of additional authority over bank reserves unless it was applied to all insured banks, and that it was only fair that insured banks be required to share the burden of action by the central banking authorities in the interest of sound credit conditions. He did not think such action had any relationship to the dual banking system.

Mr. Fleming stated that as long as the System continued its policy of supporting the Government securities market (which he thought was a correct policy and a wonderful demonstration of effective action by the Federal Open Market Committee) interest rates were going to be at a low level. If, he said, the System began to pay interest on supplemental reserves, there would be a revival of the demand for payment of interest on demand deposits, and if that were done on top of the Federal Deposit Insurance Corporation assessment the banks would be in a position in which their earnings would completely disappear in a period of low interest rates and they could not survive. He also said the problem was not so much one of interfering with correspondent bank relationships and that in his opinion the Federal Reserve System, fine as it was, could not supplant the correspondent banking system because the Federal Reserve Bank officers did not have the intimate contacts that the commercial banks had with their individual customers which the banks could call upon in connection with the services that the correspondent banks perform.

Mr. Odlin expressed the opinion that the bankers favoring the payment of interest on supplemental reserves had not thought the problem through and that the application of supplemental reserve requirements to insured banks would open the door to control of nonmember banks by the Federal Reserve System without the banks knowing how far that control would go. He favored the retention of a situation in which a bank could escape Federal control by conversion into a State bank if the Federal controls should go too far.

In a general discussion of the application of supplemental reserve requirements to insured member banks, Mr. Eccles outlined the reasonsfor the action of the Board on September 16 and 24, 1948, increasing reserve requirements of member banks by 2 per cent of demand deposits and 1-1/2 per cent of time deposits and stated that this action did not increase required reserves as much as the total reserves received by the banks from System purchases last fall of long-term bonds to support the market. In other words, he said, the increase did nothing more than immobilize reserves received by the banking system as a result of the System's support policy and, therefore, was entirely justified for that reason.

Mr. Fleming stated that the authority over reserve requirements requested by the Board would amount to approximately a 50 per cent increase over existing requirements and that the banks all over the country felt that if that authority were granted by the Congress it would be used immediately by the Board.

There was a discussion of the effect on the market of the increase in reserve requirements approved by the Board of Governors on September 16 and 24, 1948, and of the possible situation in the money and Government security markets in the event of a continued business decline.

Mr. Eccles stated that in such a situation the money market would undoubtedly be very easy and the banks would be under pressure to sell short-term securities and buy long-terms which would force these issues to a high premium and a lower yield. If the authority were granted to apply supplemental reserve requirements, he said, the banks would be more likely to increase their holdings of short-term securities rather than long-terms which would result in less "playing the pattern of rates" and in a more stable market.

Mr. Traphagen stated that banks did not like to buy long-term Government securities in which there had been as much as a six-point fluctuation in recent years, but that they made such investments as a means of getting necessary earnings. He also said that it was correct that, if the imposition of supplemental reserve requirements were authorized, the banks would invest in short-terms rather than long-terms, but that the situation would have a very adverse effect on the economy of the country because in such a situation the banks would not be willing to make the loans that they otherwise might make.

Mr. Atwood inquired why, if it was felt that the short-term securities should be held by the banks, the System was supporting the present short-term rate.

Chairman McCabe responded that the System had recommended an increase in the short rate and Mr. Fleming said that the Committee on Government Borrowing of the American Bankers Association had recommended to the Treasury that the short-term rate be increased for the same reasons advanced by the System. In response to an inquiry, he stated the Committee had not recommended the increase in connection with the refunding of the March 1 certificates for the reason that it was felt that the Treasury was convinced that the increase should not be made at that time, but that the Committee had recommended the increase be made as soon as possible, possibly in connection with the April 1 refunding and in any event prior to the June financing in order that the bonds maturing on June 15 might be refunded into an issue or issues at rates which would not "turn sour". He also expressed the opinion that the Treasury refunding exclusively into one-year Treasury certificates should not be continued but that issues should be put out to mature in the open dates in the '50's. He also said that the Committee had stated that at the appropriate time it would like to discuss with the Treasury the issuance of a long-term bond that would be ineligible for purchase by the banks.

President Brown referred to the recommendation contained in

Chairman McCabe's testimony yesterday that the Board be given authority to increase supplemental reserve requirements by 10 per cent of demand deposits and 4 per cent of time deposits and inquired whether the Board was bound by that testimony and the President's recommendation in his economic report, or whether the Board would be willing to consider the renewal of the existing emergency authority of 4 per cent on demand deposits of member banks and 1-1/2 per cent on time deposits of such banks.

Mr. Eccles stated that the Board's position was that the authority should be granted to the extent of 10 per cent of demand deposits and 4 per cent of time deposits of all insured banks, that if the existing authority was not renewed the Board would be in a much less satisfactory position to deal with an inflationary situation, and that if the authority lapsed the banks' required reserves would be reduced by approximately $2 billion which would result in an extremely sloppy money market.

Chairman McCabe inquired what the Council would propose as an alternative to the proposal of the Board as contained in his testimony before the Joint Committee on the Economic Report yesterday.

In a discussion of this point it was pointed out again by members of the Board that the Federal Open Market Committee had proposed an increase in the short-term rate and flexibility in the short-term market, and that it would have been better if the short-term rate had been increased last year.

In response to Chairman McCabe's inquiry, President Brown stated that the Council felt it was highly unwise and dangerous to ask for authority to increase reserve requirements beyond the existing authority, that in the next two or three months the trend of the current business movement would be much clearer, and that if around May 1 it appeared that the recession was over and inflationary forces were in the ascendancy or that the economy was in balance it would be proper for Congress to continue the authority granted last August, but that, on the other hand, if the recession was still going deeper the existing emergency authority should be allowed to lapse. In no event, he said, should Congress be asked to go beyond the renewal of that authority.

Reference was made to the predictions made last year and the year before that the inflationary period was over and members of the Federal Advisory Council expressed the view that there was no question but that the country was in a period of declining business activity at the present time. Chairman McCabe pointed out that most price declines had been from a very high level, that the prices that had declined most were still very high in comparison with prewar levels, and that it was his opinion that 1949 would still be a year of high levels of business activity.

Mr. Fleming agreed except for the possibility of adverse effects of unfavorable mass psychology. He did not think the situation should develop into a depression as long as defense and foreign aid programs continued.

Chairman McCabe stated that the Council and the Board were a very responsible group of leadership in this country and that they should be prepared to take bold and courageous action rather than to adopt an attitude which might signal a depression. He said that the United States was still fighting a cold war with Russia, that it was necessary to keep the economy strong, and that the leadership of the country had a tremendous responsibility to do everything possible to that end.

Mr. Fleming expressed the view that the voluntary anti-inflation program adopted by the American Bankers Association last year was such action on the part of the bankers. Chairman McCabe concurred and stated that for the bankers and the Board to sit by and take no action would not accomplish what was needed to meet the existing situation. Mr. Congdon suggested that there would be no need for further authority to increase reserve requirements unless there were danger of a further inflationary movement, and that, if no such danger existed, the thing for the System to do was to sit still until it was possible to see which way the economy was going to move and if it continued to move downward the System should retrace the steps it had taken during the development of the inflationary situation.

Mr. Eccles expressed the view that the business decline that was now occurring was an inevitable result of the unprecedented inflation during the past two or three years, that the longer the unbalance and distortion in the economy continued the more disastrous the deflationary adjustments would be, that the situation was an economic rather than a psychological one, and that some adjustment was necessary and desirable if the economy was to return to a period of stability.

Mr. Odlin stated that he did not believe that changes in reserve requirements were the proper instrument with which to attempt to deal with the inflationary problem. In response to an inquiry from Chairman McCabe as to what would be a constructive approach, Mr. Odlin suggested that steps should be taken in the field of fiscal policy and reductions in the Federal budget (rather than any increase in taxes which he felt should not have been reduced).

Mr. Fleming added on this point that the solution of the overall problem was one that did not lie within the powers of the Board. However, he did not think there was much possibility of making substantial reductions in the Federal budget.

In a further discussion the members of the Council stated that they were in favor of an increase in the short-term rate on Government securities, that they had been consistently in favor of increasing short-term rates, but that there had been times in the past when they had not urged an increase at a particular time.

2. <u>Basis for relaxation of the terms of Regulation W, Consumer Instalment Credit</u>.

> The Board would like to know whether the Council believes that the present situation justifies any relaxation in the terms of Regulation W, Consumer Instalment Credit, and if so, to what extent.

Without discussing the necessity or desirability of the legislation on consumer credit, the members of the Council have the following viewpoints regarding relaxation in the terms of Regulation W. All members of the Council are opposed to any relaxation in the terms of down payments on automobiles. On the question of extending the time for payments on new automobiles, the members of the Council are evenly divided. If the time for payments is extended, it should be to twenty-four months. All members are opposed to extending the time for payments on used automobiles. In connection with household furnishings and appliances, the Council favors eliminating these articles from control inasmuch as they are now, with minor exceptions, in ample supply.

President Brown stated that with the exception of sewing machines and possibly television sets, all of the appliances and furniture items listed in Regulation W were now in ample supply, that factories were curtailing production or were shutting down entirely, and that the Council understood that the regulation was adopted originally to reduce the demand for articles in short supply and to make funds available during the war period for the purchase of Government securities. He added that the cheaper and medium priced automobiles of the three largest manufacturers were still in short supply and prices of used cars continued to be unreasonably high. For that reason, he said, the Council did not favor any relaxation of the regulation as regards used cars. He also said that of the ten representatives of the Council who discussed the matter (Messrs. Woods and Odlin were not present) five felt that it might be desirable to allow longer terms on new automobiles.

Following a summary by Chairman McCabe of the views received by the Board from automobile companies with respect to changes in Regulation W, Mr. Fleming stated that the Council felt that in a case where listed articles were in full supply they should be released completely from the regulation. Chairman McCabe stated that the consensus of the automobile manufacturers was that the Board should retain the maximum maturity of 18 months until such time as it was felt the maturities prescribed by the regulation should be removed altogether. This opinion was based on the assumption that if maturities were extended to 24 months in the regulation there would be pressure to extend terms to that period, whereas if the maximum terms were eliminated altogether there would be no indication of official approval of maximum terms of 24 months and it would be easier for dealers to limit them to 18 months. The members of the Council concurred in that position and President Brown stated the view of the majority of the Council that it was too soon to remove automobiles from the regulation and that that should not be done until they were in greater supply.

Mr. Eccles stated that relaxation of the regulation would be notice to the public that the Board thought the present was the time to buy listed articles, that it was not desirable to encourage the public to use up its purchasing power to purchase goods at existing high prices and thus sustain the present inflation, and that it would be better if any relaxation was withheld until the present trend was more clearly determined and until prices were somewhat lower.

In a further discussion Chairman McCabe stated that the position of the Council on this matter was different from the opinions expressed by bankers during his recent trip to the West Coast that the regulation should be retained in its present form.

Mr. Hemingway stated that the bank officers in charge of small loan departments favored the retention of the regulation because it eliminated unsound competition. Other members of the Council concurred in that point, Mr. Congdon adding that the view of the Council was based on the theory that when goods were in ample supply there was no need for their being covered by the regulation.

Mr. Eccles pointed out that the restoration of Regulation W had not stopped the growth of consumer instalment credit, that the total of such credit had continued to grow in spite of the existing deflationary situation, and that when the volume of such credit was leveling off or contracting there would be a better basis for relaxing the regulation.

There was a discussion of the rate of growth of instalment credit during the period since Regulation W was restored and the possible future trends, after which President Brown stated that, while he did not favor legislation giving the Board permanent authority to regulate consumer instalment credit, he had no objection to the extension of the authority for a year or two so far as automobiles were concerned.

Mr. Vardaman asked for the opinion of the Council as to whether the existing authority should be allowed to lapse on June 30, 1949. President Brown responded that the Council had not taken a vote on that point but that he thought that he could express the views of the Council that it did not feel that the power to regulate consumer instalment credit should be given to the Board except in time of war, but that the majority of the Council would have no objection to continuing the authority for a year or two in its present form.

Mr. Eccles suggested that there was not a great deal of difference in the viewpoint of the Council and the Board except as to the timing of the action to relax the provisions of the present regulation. Some of the members of the Council indicated agreement with this statement.

3. Future credit policies of the System in the light of possible business trends during 1949.

> What indications have the members of the Council observed in their respective districts as to business trends over the next few months and for the year 1949? In the light of these observations, what suggestions does the Council have to make with respect to future credit policies of the Federal Reserve System?

It is the consensus of opinion of the members of the Council who reported regarding business trends in their respective districts that a downward readjustment in the economy is taking place. The general feeling is that this is probably not the beginning of a severe depression, but that it is a recession. However, there is no assurance of how far the recession may proceed, and the feeling that this may be only a relatively minor economic setback is not as prevalent as it was even thirty days ago.

Sales, production and employment in many lines are down, in some lines very severely. Carloadings have also declined substantially. Even the sale of new houses has declined because of high prices. There is an increasing reluctance by most industries to engage in capital expansion until the economic outlook becomes clearer. This does not apply to electric and gas utilities, but the railroads due to decreased business are beginning to hesitate in ordering further equipment at present high prices. The mill demand for steel is still strong, but declines in the gray market and the falling off of conversion deals indicate that supply and demand in steel are tending to come into balance.

The psychology of the situation is an important factor, and there is danger of the recession becoming much more severe if increasing numbers of people should come to believe a depression was developing.

If the Board desires, the individual members of the Council will be glad to report briefly on business conditions and sentiment in their respective districts.

With the economy on balance declining, the Council believes it would not be desirable for the Board now to increase reserves, or to raise the rediscount rate, and that open market operations should be conducted at the present time for the purpose of stabilizing the rates on commercial borrowings at present levels.

In response to an inquiry by Chairman McCabe as to the significance of the last paragraph of the Council's statement, President Brown stated that the Council felt it would be undesirable to let rates go down and that open market operations should be conducted in such a manner as to prevent that from occurring.

Mr. Eccles discussed the difficulty of carrying out an open market policy as long as both the short-term and long-term rates were being supported. In the ensuing discussion there appeared to be agreement that it would be necessary for the Treasury to agree to an increase in the short-term rate and President Brown stated that it would be unfortunate if the existing 2 per cent bank rate on prime loans should have to be reduced.

Mr. Eccles also said that it would be difficult to justify a further increase in the short-term rate in a period of deflation or recession, that the rate should have been increased last year to whatever point it would have gone in relation to the 2-1/2 per cent long-term rate, and if that action had been taken it would have been possible to let the rate go down somewhat in a period of deflation.

Mr. Fleming stated that the justification for an increase in the short rate was a necessity for a rate structure that would permit refunding of the volume of securities coming due over the next three or four years.

4. Assessments of the Federal Deposit Insurance Corporation.

The Council desires to withdraw this item from consideration. It was put on the agenda because of different practices in different banks relative to the computation of their FDIC assessments, involving chiefly the treatment of float and reciprocal balances. The Council believes after discussion that this question should be taken up by the banks concerned, or by bankers' associations, with the FDIC rather than by the Council with the Board. However, if the Board or its staff can give any information to the Council regarding this matter of computing FDIC assessments, the members of the Council would welcome such information.

Chairman McCabe stated that the Board understood that the Federal Deposit Insurance Corporation was acutely conscious of this problem and that the Board would like to look into it further and discuss it with the Council later, perhaps at the next meeting.

5. Authority of the President to reorganize departments and agencies of the Government. Mr. Fleming stated that he did not know what recommendations would be made by the Hoover Commission with respect to the Federal Reserve System, that at the staff level the suggestion had been made that the composition of the Board be changed

somewhat, and that the Council felt that it would be wrong for a situation to develop in which every time there was a new President it was felt there should be a reorganization of the Board. He also said that a bill had been introduced to give the President power to reorganize the departments and agencies of the Government and while he did not know what was happening in that field he felt the independence of the Board should be preserved and, if there was any move to put the Board under the Comptroller General or the Bureau of the Budget, the Council would like to know about it.

There was a discussion of the limitations of the bill on the powers of the President with respect to the presentation of reorganization proposals affecting the Board of Governors and certain other agencies. Mr. Eccles stated that under the present bill a reorganization plan proposed by the President would become effective unless within 60 days after presentation the House and Senate by joint resolution disapproved the change, and that perhaps the bill should be amended to provide that either house could disapprove a reorganization proposal. He also said that it would be inappropriate for the Board as such to take any action to influence the form of the legislation or to interfere in any way with any decision that Congress might wish to make with respect to it.

6. <u>Presentation of views of Council on pending legislation relating to reserves and consumer instalment credit</u>. President Brown stated that inasmuch as Mr. Thomas was not able to give his usual report to the Council yesterday afternoon, the members of the Council

attended the hearings before the Joint Committee on the Economic Report at which Chairman McCabe testified, that Senator O'Mahoney, Chairman of the Committee, asked the members of the Council to present their views after Chairman McCabe had finished, and that it had been stated that the Council would prefer to discuss the matter with the Board before appearing before the Committee. President Brown also said that the Council did not know the form in which the legislation with respect to reserve requirements and consumer credit regulation would be introduced, that if it would propose that the Board be authorized to increase reserve requirements on demand deposits by 10 percentage points and on time deposits by 4 percentage points the Council would oppose the legislation, but that if it proposed an extension of the existing authority the Council probably would not oppose it.

In a discussion Chairman McCabe suggested that President Brown call Chairman O'Mahoney and suggest that, if agreeable to the Joint Committee, the Council would prefer to wait until the legislation had been introduced and then present its views before the Banking and Currency Committees. It was understood that President Brown would call Senator O'Mahoney in accordance with this suggestion.

7. Date of next meeting of the Federal Advisory Council. President Brown stated that it was contemplated that the next meeting of the Council would be held in Washington on May 15-17, 1949.

Thereupon the meeting adjourned.

A. Carpenter
Secretary.

Approved:

Thomas B. McCabe
Chairman.