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 20, 1951, at 10:30 a.m.

PRESENT: Mr. McCabe, Chairman
Mr. Eccles
Mr. Szymczak
Mr. Vardaman
Mr. Norton
Mr. Powell

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary

Messrs. Bucklin, Jackson, Potts, Congdon, Davis, Brown, Hemingway, Ringland, Beals, Ray, and Lochead, members of the Federal Advisory Council from the First, Second, Third, Fourth, Sixth, Seventh, Eighth, Ninth, Tenth, Eleventh, and Twelfth Federal Reserve Districts, respectively.

Mr. Prochnow, Secretary of the Federal Advisory Council

President Brown stated that at the separate meeting of the Federal Advisory Council preceding this joint meeting, he was reelected President of the Council, Mr. Fleming, member from the Fifth Federal Reserve District, was reelected Vice President, and Mr. Prochnow was reelected Secretary, and that Messrs. Jackson, Potts, and Congdon were reelected to serve with the President and Vice President as members of the executive committee of the Council.

Before this meeting the Council submitted to the Board a memorandum setting forth the Council's views on the subjects to be discussed with the Board at this joint meeting. The statement of the topic, the Council's views, and the discussion with respect to each of the subjects were as follows:

1. A discussion of the effect of Bills S. 514 and S. 515 if enacted into law.

The loan operations of the Reconstruction Finance Corporation are essentially similar to those of a bank with branches. It should have an organizational structure with lines of responsibility clearly drawn and definitely fixed. The Council believes therefore that the management of the RFC should be vested in one administrative head, who may have several deputies as assistants. The Council still believes, as stated in its Memorandum to the Board on May 16, 1950, in response to an inquiry from the Board, that the powers and activities of the RFC should be curtailed rather than expanded, and that the RFC should be continued as an independent agency to meet emergency situations and should not be transferred to the Department of Commerce.

President Brown stated that since the President had just announced a reorganization plan which would provide for a single Administrator for the Reconstruction Finance Corporation along the lines proposed in the Council's recommendation, it was felt that this topic could be passed without further discussion.

2. What are the views of the Council as to the practicable fiscal and monetary actions that should be taken in the period that lies immediately ahead to combat inflation and to meet requirements for defense?

The Council believes the present inflation is due primarily to reasons other than monetary policies, which constitute only a part of the entire problem. The fundamental problem is to maintain confidence in the future purchasing power of the dollar. Such confidence is now impaired, due to a widespread belief that wages and consequently prices will rise, and that firm policies to control wages and prices will not be adopted or enforced.

The Council believes that in the period which lies immediately ahead the following actions should be taken in the fiscal field:

A. The enactment of pay-as-you-go tax legislation;

B. The elimination of unnecessary non-defense expenditures;

C. The careful screening of defense expenditures to avoid waste;

D. Government loans and guaranties of loans in all fields, including real estate, should be terminated, except where such loans are necessary for the defense effort.

In the purely monetary field the Council believes that small changes in interest rates will not have any important effect on the volume of loans made.

The Council believes that the Treasury and the Federal Reserve System should maintain a flexible attitude toward the terms and conditions of future Federal financing. It is obvious, however, that with the large government debt outstanding a close cooperation between the Federal Reserve System and the Treasury must be maintained so there may be no fear by the people of a possible severe decline in the price of government bonds or an impairment of the credit of the Federal government. Fortunately it now appears that several months will elapse before the Treasury will be confronted with heavy refundings (other than bills) or the need for new money. This interim gives the Federal Reserve System and the Treasury an opportunity to work out together a program of cooperation for the maintenance of government credit which is essential to the maintenance of public confidence.

The Council believes --

A. Voluntary agreements by financing institutions should be given the fullest support by the Federal Reserve System, other government departments and various banking and other financial associations concerned with this program.

B. Loans required for defense projects or for necessary civilian production and distribution should not be restricted. In the present situation, particularly, a steady increase in the productive capacity of the economy and in the gross national product is of vital importance. Credit for this purpose should be available.

C. Steps should be taken to place as much as is possible of the government debt outside the banking system. In this connection the Council desires to point out that extreme caution should be used by the Federal Reserve System in the exercise of its powers pertaining to significant changes in government bond prices through open market operations, or changes in the rediscount rate, or in reserve requirements, to the end that confidence of non-bank investors in the purchase or holding of government securities be not disturbed.

President Brown stated that the Council realized that the statement was very much a "middle of the road" position, that it was deliberately made so, and that it was the strong feeling of all of the members of the Council that it was imperative that some accommodation be arrived at between the Board and the Treasury, and in view of the circumstances any statement by the Council which attempted to deal with or spell out what should be done or to support the position of the Board on one side or the Treasury on the other would make such accommodation more difficult. He also said that one thing on which all the members of the Council were agreed was that small changes in interest rates would not stop the extension of loans by banks or the sale of Government securities in order to make such loans. A major change in interest rates which would result if the price of Government bonds were dropped 5 or 10 points would restrict the volume of loans, he said, but a fractional change resulting in a decline of a point or two in Government bonds would not have that result. He made the further statement that there was public apprehension on the part of holders of Government securities and it was the belief of the Council that if these holders felt that there was any chance of Government securities declining severely in price they would dump their holdings on the market and it was impossible to say what such a situation would do to the economy of the country.

Chairman McCabe inquired whether the Council felt there should be any flexibility in the Government security market or whether there should be a rigidly supported pattern of rates. In response to this and other questions by Chairman McCabe, President Brown stated that the Council would not favor a fixed pattern of rates, that it was the judgment of the Council that the price on long-term restricted bonds might well be allowed to decline to par, but that on the other hand the difference between par, and par and 22/32ds, was so small that it should be possible to work out an agreement with the Treasury as to the procedure that should be followed. Because of the sensitiveness of the market, he said, when the price of long-term bonds dropped 1/32 it was widely circulated that all support was going to be withdrawn. In these circumstances, he thought it would be unsafe to let long-term bonds go below par, and said that a year or two ago he testified before the Congress that such action could be taken, that it could have been taken before the outbreak of hostilities in Korea because public confidence was such that it would not have been impaired by a decline below par, but that today conditions were different and it was his guess that most members of the Council would feel that if the longest-term restricted bond were permitted to go below par there would be enormous redemptions of E bonds and panicky selling of other issues. He said that it seemed incredible that on the question of whether bonds should be supported at par or par and 22/32ds, it would not be possible to get an agreement between the Treasury and the System. He questioned whether a drop in the market price would dry up offerings of long-term bonds. If the offerings of long-term bonds were heavy, he thought a drop in price of 1/32 or 1/8 probably would only serve to accelerate the volume of offerings.

Mr. Congdon expressed the view that the decisions of the Open Market Committee should be based on careful judgment of the market at the time, that one of the reasons for the present selling of long terms was the apprehension of the outcome of the present discussions between the Treasury and the Board, and that if that matter could be settled some of the selling might dry up. As to the point at which investors of trust funds, endowment and pension funds, and other investors of that type might come in to the market and whether they would come in more readily at par than at par and 22/32ds, President Brown expressed the view that a decline to par would not increase investments from this source, that if the price were dropped below par such investors might come in, but that on the other hand it was possible that the volume of fear selling would offset any buying from these sources.

In response to an inquiry by Chairman McCabe whether the Council felt that in the light of conditions as they are today it would be preferable to hold the present support level on long-term bonds rather than to drop to a lower level, Mr. Potts stated that while a majority of the Council felt that way it was his personal view that in order to control the situation prices of bonds should be dropped if necessary below par, that if pressure on the market continued prices should be allowed to go to, say, 98 where they could be held to see if at that point the market would level off and confidence would be regained. It was not his thought that it would be possible to hold at that point but that it might be necessary to go to a lower figure, and that it might be that 95 would be the point at which the market would support itself. Mr. Lochead stated that he shared Mr. Potts' views.

Following a discussion of whether such a policy as proposed by Mr. Potts, if adopted, should be announced and how it might be carried out, Mr. Jackson stated that during World War II it was not the expansion of bank loans that brought about the damaging inflation but the monetization of the public debt, and that a policy of further purchases of Government securities by the banking system would promote the most damaging kind of inflation that we could have in this country. He also said that one of the things that was causing the difficulty in the market at the present time was the differences between the Treasury and the Board, that these differences were upsetting the market and causing it to notice a change of as much as 1/32, and that while he felt there should be flexibility it was important that no action be taken which would destroy confidence in the market or the ability to place bonds in the hands of nonbank investors. He felt that a joint statement on policy would do more to stabilize the market than anything else that could be done. While he agreed with Mr. Potts completely, he felt that a policy of support had been followed so long that a decline in price of the long-terms would be very disturbing. On the other hand, he recognized that it was not possible to operate within 1/32.

In response to an inquiry from Chairman McCabe as to what should be the policy of the System in the light of the January 18 speech of the Secretary of the Treasury, Mr. Jackson said he would make one more try to convince the Treasury that it is completely unrealistic to operate the market without a variation of as much as 1/32.

Chairman McCabe pressed his question as to what the policy of the System should be in the present situation, stating that the Open Market Committee was in frequent consultation with the Treasury and there was no lack of desire on its part to discuss the matter with the Treasury. Mr. Jackson responded that he would try again to reach an agreement with the Treasury before he abandoned the present procedure. He expressed the view that every effort should be made to get an agreement with the Treasury and if that failed the System would have to decide the course that it would follow. After a further series of questions, Chairman McCabe stated that he was asking the Federal Advisory Council for its advice as to the course that should be followed in the present situation, and Mr. Jackson responded that he could not say what he would do in advance of an effort to compose the differences between the Treasury and the Board.

Mr. Eccles stated that at no time in the more than 16 years during which he had been a member of the Board was there greater need for courage and realistic leadership in monetary and credit matters, that in his opinion the statement submitted by the Federal Advisory Council on this topic did not measure up to that need, and that the failure of the bankers to support adequate monetary and credit policies during the postwar period was at least partly responsible for the problem with which the System was faced at the present time. He reviewed the situation which led up to the pattern of rates under which Treasury financing was done during the war, the conditions which had existed in the fiscal and credit field since the war, and the efforts that the System had made to get the necessary legislation or a determination of policies which would have enabled the problem of debt management and credit policy to be faced realistically.

He pointed out that it would not be possible to permit major changes in the interest rate structure during a period of deficit financing because it was not possible to sell new securities in a falling market, but that there would be an opportunity during the next two or three months to adopt a realistic policy. He felt that the middle-of-the-road attitude that had been taken by the bankers and the Council was not helpful in the present situation.

It was his opinion that at no time in the postwar period could effective action be taken with less danger of bringing about a deflation than at present. He referred to the comment in the Council's statement that small changes in interest rates would not have an important effect on the volume of bank loans and said that the comment was equivalent to saying that, if such changes were not effective and could not be made, the market should be frozen and the Federal Reserve should abdicate its powers to the Treasury. He added that the System had purchased a large volume of securities in recent months at a time when the fiscal policy of the Government was anti-inflationary and when the outward movement of gold would have had an anti-inflationary effect, and that in spite of these two anti-inflationary forces open market purchases of the System had put reserves into the banking system in such amounts that banks had been able to expand credit at an alarming rate which had been reflected in inflated prices to an extent that would not have been possible in the absence of such expansion. He went on to say that the very large sale of Government securities by nonbank investors was due to the unrealistic yields on existing issues of Government securities, that the situation had been met by the socialistic government of England (where it might be expected that an effort would be made to finance at a very low rate of interest) by increasing the rate on long-term securities to 3 per cent to induce the public to buy and hold them, and that other countries had taken similar action while we had been following a policy which might be expected of a socialistic government.

It was his opinion that the sooner the Government faced the situation squarely and gave the market something which it would hold, the better it would be. It was not a problem of deficit financing, he said, but one of stopping bank credit growth, and if the budget were balanced and the door left open for further expansion of private credit the value of the dollar could be destroyed. It was his view that such a course was being followed at the present time, with the indirect support of the bankers and the Federal Advisory Council.

He then suggested that there be an immediate announcement that the long-term refunding and financing of the Treasury would be done at a 2-3/4 per cent or 3 per cent rate with the understanding that other issues would be allowed to adjust and that perhaps some kind of conversion privilege would be offered so that investors would be induced to hold their securities without market support. He questioned whether an increase of as much as one per cent in the short-term rate would be effective in stopping the expansion of bank credit and felt that it would be necessary for the System to have supplementary powers from the Congress to increase bank reserves, which authority banks had strongly opposed in the past. It was his opinion that if we did not get a solution of the problem along those lines we would get direct control of credit through a freeze of the existing situation which the banks would like even less, that the problem would not be solved by side-stepping it, and that the Federal Advisory Council should be more interested in finding the right solution and in preserving the private banking system and in dealing with the fundamental causes of inflation rather than with its effects. He said it was not a question of personalities or of conflict between the Federal Reserve and the Treasury but a question of adopting basic policies and facing courageously a problem which was hardly secondary in importance even to the defense effort. It was his view that in such a situation the statement submitted by the Council was not what might be expected at a time when what was needed was leadership and courage.

Mr. Hemingway stated that the Government was suffering from "its past sins" and he and Mr. Jackson referred to the recommendations that had been made by the Council since the war with respect to Treasury financing and to the importance of settling what appeared to be an open controversy between the Treasury and the Federal Reserve System.

Mr. Eccles stated that he realized that mistakes were made during and since the war but that the bankers should support a realistic program to meet the present situation. He also said that the Board and the Federal Open Market Committee had made most desperate efforts to get the Treasury to face the issue and that the extremely inflationary developments since Korea made the situation a most urgent one with only a period of two or three months in which to find a solution. He added that he did not think our economy could stand a system of direct controls for an indefinite period and that he would like to try to develop a system of indirect controls which would deal directly with the causes of inflation rather than its effects and which would make the continuance of a broad harness of direct controls unnecessary.

Following a discussion of the possible effects of letting long-term Government securities go below par, during which it was pointed out by Mr. Congdon that the question whether a long-term issue would be offered was one for the Treasury to decide, Mr. Bucklin stated that the Council's statement did not reflect a lack of courage but rather the strong feeling that the present was not the time for the Council to take sides in a controversy for the reason that it was of the utmost importance that an agreement be reached by the Treasury and the Board, and the Council did not want to do anything that would make an agreement more difficult. He felt that one of the principal causes of the inflation was the building of inventories in anticipation of further price increases, that it would be very helpful if there could be assurance that prices would not continue to go up, and that, therefore, the situation could not be cured by monetary methods alone. It was his view that the System should not permit any change in existing rates or any "jiggling" of the market until the matter could be discussed again with the Treasury after the return of the Secretary of the Treasury from the hospital. He would wait until it could be demonstrated whether it would be possible to reach an agreement with the Treasury and then issue a statement which the public would believe.

There was a discussion of how increases in prices increased demands for credit which in turn tended to increase prices further.

Mr. Szymczak made it clear that the responsibility of the System under the law was to regulate the availability of bank reserves and that, therefore, the System was not interested in increases in interest rates as such but rather in policies which would enable the System to discharge the responsibilities placed upon it by the Congress even though such policies resulted in higher rates.

Chairman McCabe inquired what the position of the Council would be if the Treasury should continue to insist on the existing pattern of interest rates. Mr. Congdon responded that he would hope that there could be some agreement between the Treasury and the System, that it was not possible to continue to have disagreement, and that if such agreement could not be reached it was probable that the matter would get into Congress and be decided as a political issue. Such a situation, he said, could be very disastrous to the System and the Council did not want that to happen.

At this point, Mr. Szymczak commented that if the System should accept the Treasury position it would be a complete abdication of the responsibilities of the System for which the Congress might well take the System to task. Mr. Congdon did not think it was possible to change the present pattern of rates without an agreement with the Treasury but that it might be possible to get to a 3 per cent long-term rate if the Treasury would agree.

At this point, Mr. Congdon withdrew from the meeting.

In a further discussion, Chairman McCabe emphasized that the problem before the Open Market Committee with respect to the purchase of long-term securities was an immediate and pressing one because of sales by insurance companies and other nonbank holders to obtain funds for other investments, that the expansion of bank credit was adding to the urgency of the problem, and that, in view of the responsibilities of the System for regulating the supply of reserves, the necessity of reaching an adequate and satisfactory solution of the problem was extremely acute. He added that he had given every ounce of his strength and his patience to work out a solution, that he was satisfied that no member of the Council would have more patience and forbearance than had been exercised, but that in spite of that the System would continue to negotiate with the Treasury and would not give up trying to find a solution. On the other hand, he said, the System had a responsibility to the Congress for which it would have to give an account and what he was trying to do was to see if there was any help or ideas that could be brought to bear on the problem as it was not as simple as the statement submitted by the Council would indicate. What concerned him, he added, was what answer the System would give to the Congress as to the manner in which it had discharged the responsibilities placed upon it.

Mr. Bucklin suggested that if the Treasury and the System would get together most of the trouble would disappear.

Mr. Hemingway stated that after the Federal Open Market Committee had had an opportunity to confer further with the Secretary of the Treasury the Federal Advisory Council would be available for further discussion if that should be desired.

Mr. Szymczak pointed out that the Secretary might be in the hospital for some weeks and that during his absence there should be someone in the Treasury authorized to speak on policy matters. Messrs. McCabe and Szymczak outlined reasons why, in their opinion, the System could not continue to defer action in an effort to work out an agreement with the Treasury without becoming subject to criticism for failure to discharge its responsibility by the Congress.

Mr. Davis inquired whether anyone could talk to the President. Chairman McCabe replied that he had not talked to him since the meeting of the Federal Open Market Committee with the President on January 31 but that he had talked to him frequently prior thereto. He also said that he thought it was extremely unfortunate that the President had been brought into the discussion of the matter and had been placed in the position that he had in connection with it.

Mr. Potts inquired whether the statement was true which appeared recently in The New York Times that the Open Market Committee had written a letter to the President. Chairman McCabe said that it was and stated that the letter was written in reply to an earlier letter from the President.

In response to an inquiry from Mr. Ray as to the source of any repercussions if the Government securities market should be permitted to go down to say 98, Chairman McCabe stated that any such action probably could not be an abrupt one but would have to be carried out by degrees which would enable the System to fulfill most effectively its role in an inflationary situation of restricting the availability of bank reserves. The immediate problem, he said, was that the System had been purchasing long-term securities at a premium of 22/32 and that when the price was allowed to decline 1/32, the Treasury began to purchase the longest-term restricted bonds for trust accounts at par and 22/32ds so that it was making the market in that issue. In the discussion which ensued members of the Council indicated that they did not approve of the Treasury action and President Brown stated that the discussion of this topic at this meeting had been very informative to the Council.

Mr. Eccles stated that he felt he owed the members of the Council an apology for the strong comment he had made with respect to the statement submitted by the Council, but that he had worked very closely with the whole problem and felt very strongly about it. He also said that his comment was entirely objective and not personal in any way and that he realized that in a group of men of the size of the Federal Advisory Council any statement would have to be a compromise of the views of the individuals making up the group.

Later in the meeting, Mr. Eccles also said that he had never seen anyone exhibit the patience that Chairman McCabe had shown in his efforts to get a satisfactory understanding with the Treasury, that if anything he had exhibited greater patience than the situation called for, and that the Council could be assured that any lack of patience or effort to reach a satisfactory agreement was not due to

Chairman McCabe.

3. What are the prospects with respect to changes in the total volume of bank loans during the first half of 1951?

All members of the Council except two believe that the total volume of bank loans will increase in their districts during the first half of 1951. It is believed the anticipated increase in bank loans will be due to the extension of credit for defense and other essential production.

Chairman McCabe called attention to the reference in the statement to essential production and expressed the opinion that many loans made by banks were of a very questionable character because of their inflationary effect. President Brown agreed that many such loans were made but that he did not believe they would increase because of the restrictions that would be placed on the expansion of inventories.

4. What have been the effects of Regulations W and X and under what conditions would the Council favor tightening the terms of the Regulations?

Regulation W is beginning to have some effect on installment loans. Increased purchases due to the fear of higher prices or the inability to obtain goods have lessened the effect so far of Regulation W in reducing the volume of consumer credit. From now on Regulation W should be more effective in checking consumer credit. Some members of the Council believe that the terms on used cars should be tightened. Otherwise, Regulation W should not now be changed.

Due to previously existing commitments for construction, the effects of Regulation X are not yet apparent. The Council believes that in a matter of several months, Regulation X will greatly reduce real estate credit for new construction. In the meantime, commitments for speculative building have been greatly lessened. Until more experience is had, the Council has no changes to recommend in Regulation X.

President Brown stated that about one-half of the members of the Council were of the opinion that prices of used cars were "going through the roof" and that it might be desirable to stiffen the terms of Regulation W in that area. Part of the increase was fear of higher prices. He also said that the trade was more interested in having the Federal Reserve police automobile loans for the purpose of making them safer than in the effect of Regulation W in the over-all credit situation. Most members of the Council, he said, would have no objection if the Board should see fit to tighten terms either by increasing the down payment or shortening the maximum maturity on used car loans. Mr. Eccles inquired why terms should not also be tightened on new cars and this point was discussed.

President Brown stated that it appeared that real estate loans now being made were on commitments and starts undertaken before the real estate regulations were issued and that most of the new loans were going into defense construction and loans guaranteed by the Government.

Mr. Norton outlined the prospects for residential construction during 1951 which indicated that on the basis of present credit restrictions the goal of 800,000 -- 850,000 houses in 1951, which was announced at the time Regulation X was issued, would be substantially exceeded principally because of the very large backlog of commitments in existence at that time.

Chairman McCabe stated that in the discussions with the Housing and Home Finance Administrator the Board had taken the position that real estate credit was one of the most inflationary elements in the economy and that in more recent discussions this point had been pressed with great emphasis, together with the fact that the Board was fearful that the announced goal would not be attained.

President Brown expressed the view that if the situation continued to expand as outlined by Mr. Norton it would be desirable to tighten the terms of Regulation X. He also said that it was realized that the Board would have to get the concurrence of the Housing Administrator on any such action. Mr. Norton commented that the Housing Administrator would like to have another 30 days to analyze available information on the volume of construction before reaching a decision on that point.

5. What steps would the Council recommend to make the V-loan program operate more effectively? Complaints have been coming to the Board that the small defense contractor who has the managerial and technical ability to produce defense goods but does not have established banking connections is having difficulty in getting necessary financing. How can this situation be met effectively without the creation of an additional Government agency or lending powers in an existing agency?

With the passage of satisfactory legislation dealing with renegotiation and with the assignment of claims against the government, the financing problems of small defense contractors who really possess the managerial and technical ability could be adequately met by the banks. In the meantime, the banks can not in many instances properly extend such credit. With the passage of the necessary legislation, no additional government agency or any additional lending powers in an existing agency should be necessary.

President Brown stated that the information available to the Council indicated that while the legislation referred to in the above statement had been submitted to the committees of the Congress, it probably would not be given prompt consideration because of the priority of other pending legislation. In the ensuing discussion there was agreement that the legislation should be expedited in every possible way.

Chairman McCabe inquired whether the members of the Council had heard any comments to the effect that banks were not willing to make V-loans because the net return after payment of guarantee fees was inadequate. Mr. Ray stated that some country banks had complained about the rates but that the larger banks in his district had circularized the country banks that they would be glad to consider any loans which the country banks did not want to make. It was his view that the necessary financing could be done under the present rates.

President Brown expressed the opinion that there would be no difficulty on financing where the contractor had the necessary managerial and technical ability which the Council interpreted to mean also the facilities to produce the goods, but that there would be numerous complaints from concerns which undertook to buy expensive machinery to manufacture materials substantially different from what they had made in the past. He also said that anything that the Board could do to expedite passage of the proposed amendment to the Assignment of Claims Act would be very much appreciated because the present situation in that regard presented a real difficulty.

Chairman McCabe stated that it might be possible to get Mr. Wilson, Director of the Office of Defense Mobilization, to press for passage of the bill.

6. The Board would be pleased to have any comments that the Council might wish to make with respect to the program for voluntary agreements by financing institutions.

> The Council believes that the program for voluntary agreements by financing institutions will make an important contribution at the present time to the sound functioning of our economy. The Council therefore hopes that the Board will give the fullest measure of support to this program, and promulgate it promptly.

Mr. Powell said that it was hoped that the program could be announced very shortly, that the final approval of the program by the Attorney General and the Federal Trade Commission was expected within the next few days, and that the Board was prepared to appoint a Voluntary Credit Restraint Committee as provided in the procedure for implementing the program and to send the program out as soon as the approval of the Attorney General was obtained.

In the ensuing discussion President Brown expressed the view that the effectiveness of the program would be almost entirely in curtailing large loans. Mr. Powell commented that there was a large volume of inventory loans which were highly inflationary, that it would take real courage on the part of the banks to decline to make such loans, and that the program of voluntary agreements would not be effective unless the volume of these loans was curtailed.

President Brown stated that the next regular meeting of the Council would be on May 13-15, 1951.

Thereupon the meeting adjourned.

S. R. Carpenter

Secretary.