

Minutes for February 6, 1961

To: Members of the Board

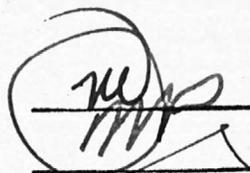
From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, please initial below. If you were present at the meeting, your initials will indicate approval of the minutes. If you were not present, your initials will indicate only that you have seen the minutes.

Chm. Martin

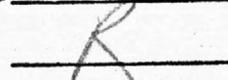


Gov. Szymczak

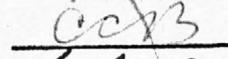


Gov. Mills

Gov. Robertson



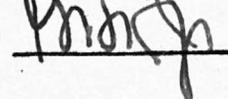
Gov. Balderston



Gov. Shepardson



Gov. King



Minutes of the Board of Governors of the Federal Reserve System
on Monday, February 6, 1961. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Balderston, Vice Chairman
Mr. Szymczak
Mr. Robertson
Mr. Shepardson
Mr. King

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thomas, Adviser to the Board
Mr. Young, Adviser to the Board
Mr. Shay, Legislative Counsel
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Noyes, Director, Division of Research
and Statistics
Mr. Marget, Director, Division of International
Finance
Mr. Garfield, Adviser, Division of Research and
Statistics
Mr. Koch, Adviser, Division of Research and
Statistics
Mr. Robinson, Adviser, Division of Research
and Statistics
Mr. Dembitz, Associate Adviser, Division of
Research and Statistics
Mr. Williams, Associate Adviser, Division of
Research and Statistics
Mr. Furth, Adviser, Division of International
Finance
Mr. Hersey, Adviser, Division of International
Finance
Mr. Sammons, Adviser, Division of International
Finance
Mr. Katz, Associate Adviser, Division of
International Finance
Mr. Petersen, Special Assistant, Office of the
Secretary

Messrs. Eckert, Solomon, Goldstein, Wood, Peret,
Kalachek, and Altmann, and Miss Dingle of the
Division of Research and Statistics

Messrs. Irvine, Anderson, Maroni, and Elrod of
the Division of International Finance

2/6/61

-2-

Economic review. The Division of International Finance summarized international financial developments, with emphasis on factors affecting the United States balance of payments, following which the Division of Research and Statistics reviewed domestic business and financial developments.

All of the members of the staff then withdrew except Messrs. Sherman, Kenyon, Young, Shay, Molony, Fauver, Noyes, Marget, Dembitz, and Furth, and the following entered the room:

Mr. Hackley, General Counsel
 Mr. Farrell, Director, Division of Bank Operations
 Mr. Solomon, Director, Division of Examinations
 Mr. Hexter, Assistant General Counsel
 Mr. O'Connell, Assistant General Counsel
 Mr. Hostrup, Assistant Director, Division of Examinations
 Mr. Leavitt, Supervisory Review Examiner, Division of Examinations
 Mrs. Semia, Technical Assistant, Office of the Secretary

Items circulated or distributed to the Board. The following items, which had been circulated or distributed to the Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

	<u>Item No.</u>
Letter to the Federal Deposit Insurance Corporation regarding the application of C. P. Burnett & Sons, Bankers, Eldorado, Illinois, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.	1
Letter to Commercial State Savings Bank, Greenville, Michigan, approving the establishment of a branch at 208 South Franklin Street.	2

2/6/61

-3-

	<u>Item No.</u>
Letter to Fidelity Bank and Trust Company, Houston, Texas, granting permission to maintain reduced reserves.	3
Telegram to the Federal Reserve Bank of New York authorizing it to open and maintain an account on behalf of the Kuwait Currency Board.	4
Letter to the Secretary of the Federal Advisory Council suggesting topics for inclusion on the agenda for the forthcoming meeting of the Council with the Board.	5

Messrs. Young, Marget, Furth, and Leavitt then withdrew from the meeting.

Recommended Bank Holding Company Act amendments. A memorandum from the Legal Division dated February 2, 1961, had been distributed in connection with Bank Holding Company Act amendments to be recommended in the Board's Annual Report for 1960. The memorandum pointed out that pursuant to the requirement of the law the Board made its first report to the Congress on administration of the Bank Holding Company Act on May 7, 1958, as a separate document, and in that report enumerated 25 recommendations for amendments to the Holding Company Act. In its Annual Reports for 1958 and 1959 the Board had referred to those recommendations and stated that it continued to urge favorable consideration of them. During the past year, however, the Board had indicated an intention that its Annual Report for 1960 should do more than simply renew the 1958 recommendations. For example, on September 28, 1960, noting that the

2/6/61

-4-

Association of Registered Bank Holding Companies was about to submit a report that would recommend certain changes in the Act, the Board asked the Legal Division to prepare drafts of legislative changes in the Act following receipt of the report.

The report of the Association, dated October 3, 1960, was sent to each member of the Board. It discussed most of the amendments theretofore proposed by the Board and also included several additional recommendations by the Association. In December 1960 members of the Division of Examinations and the Legal Division met with representatives of the Association to discuss the report.

After reviewing particular amendments that the Association either opposed or favored, the memorandum went on to say that, although the Legal Division felt that most of the Board's 1958 recommendations were still valid, relatively few of the provisions of the Act had caused substantial administrative difficulty or had resulted in frustration of the purposes of the Act. Therefore, it seemed advisable to refer specifically in the forthcoming Annual Report only to the few recommendations that seemed particularly significant. It seemed probable that such a procedure would be more likely to promote the enactment of some desirable amendments than would detailed reiteration of the 1958 recommendations or mere reference to them.

The material suggested for inclusion in the Annual Report would indicate that the Board continued to urge favorable consideration of the

2/6/61

-5-

amendments recommended in its May 7, 1958 report, except for the recommendation that a holding company bank's absorption of an independent bank, by merger or otherwise, be made subject to the provisions of the Bank Holding Company Act. It would be stated that, in view of the passage of the Bank Merger Act in May 1960, the Board believed that the amendment it had recommended in this respect would produce an unjustified duplication of jurisdiction. The proposed material then would state that the Board emphasized the desirability of prompt amendment of the Holding Company Act in three respects, as set out in the following paragraphs:

1. The Act now exempts from its provisions a company that was registered under the Investment Company Act of 1940 prior to May 15, 1955. As pointed out in Recommendation 7 of the May 7, 1958 Report, this exemption has no logical basis. The exemption has been actively utilized to expand a bank holding company system, free from regulatory control, in a manner entirely inconsistent with the basic principles of the Bank Holding Company Act. The Board urges prompt amendment of the Act to eliminate this unwarranted exemption.
2. Its experience in administering the Bank Holding Company Act has confirmed the Board in its view (explained in Recommendation 23 of the May 7, 1958 Report) that section 6 of the Act should be repealed or, at least, amended. That provision, broadly speaking, prohibits intra-system investments and extensions of credit by banks in holding company systems. This constitutes a severe and, in the Board's judgment, an unnecessary restriction upon the operations of banks controlled by holding companies, and therefore should be repealed or amended as soon as possible.
3. Prior to enactment of the Bank Holding Company Act of 1956, Federal regulation in this field consisted principally of provisions of the Banking Act of 1933 relating to "holding company affiliates". As pointed out in Recommendation 25 of the May 7, 1958 Report, the effectiveness of the holding company affiliate laws has always been open to question and it is doubtful whether, in view of the enactment of the Bank Holding

2/6/61

Company Act, they are now sufficiently useful to justify their retention. Their elimination would remove the confusion and the administrative burden that result from the existence of two sets of laws which relate to the same general subject but are based on different definitions of what constitutes a holding company. Consequently, it would be desirable promptly to repeal the holding company affiliate laws or to modify them along the lines discussed in detail in the 1958 Report.

Mr. Hackley commented on the points covered in the memorandum from the Legal Division, including several possible amendments to the Bank Holding Company Act that the Division had considered for possible inclusion in the specific recommendations. Among other things, he referred to the possibility of recommending the inclusion of injunction provisions in the Act and recommending that the Board be given power to issue subpoenas in connection with administration of the Act. Mr. Hackley also mentioned that the Association of Registered Bank Holding Companies strongly favored amendment of section 11 of the Act to provide that any acquisition, merger, or consolidation approved by the Board pursuant to the Act would be exempt from the provisions of the Sherman Antitrust Act and the Clayton Act. He said he would agree that such an amendment would be both logical and desirable. However, a recommendation to such effect almost certainly would give rise to controversy; it probably would be opposed strongly by the Department of Justice. In the circumstances, he assumed that the Board might not care to press the point.

Mr. Hexter stated that Governor Mills, who was attending a Retirement System meeting today, had raised two questions regarding the proposed

2/6/61

recommendations. First, Governor Mills was of the opinion that the Board should not withdraw its recommendation that a holding company bank's absorption of an independent bank, by merger or otherwise, be made subject to the Bank Holding Company Act. Governor Mills also raised the question whether the proposed repeal of the holding company affiliate provisions of the Banking Act of 1933 would abandon a significant authority of the Board with respect to the examination of holding company affiliates.

With respect to the first of the two questions raised by Governor Mills, Mr. Hexter said that, as indicated in the Legal Division's memorandum, he felt that the standards of the Bank Merger Act were so similar in substance to those of the Bank Holding Company Act as not to warrant the duplication of jurisdiction that would result if the Board had jurisdiction over all mergers involving the absorption by holding company subsidiary banks of other banks. He pointed out that the Bank Merger Act requires approval by one of the Federal bank supervisory agencies of practically all bank mergers.

With regard to the second of the two questions raised by Governor Mills, that is, whether repeal of the holding company affiliate provisions of the law would abandon a significant examination authority over such affiliates, Mr. Hostrup pointed out that at present the authority to examine a holding company affiliate depends upon the issuance of a general voting permit, which is not applied for in all instances. An essential part of the Board's 1958 recommendation on this subject was that, concurrent

2/6/61

with the repeal of the holding company affiliate provisions of the Banking Act of 1933, the definitions in the Bank Holding Company Act would be amended to include holding company affiliates. Therefore, adoption of the Board's recommendation would strengthen the examination authority, although that authority would be shared with the Comptroller of the Currency. The Board would not have authority to examine an affiliate where the only subsidiary banks were national banks; in other cases, where the subsidiary banks included both national and State member banks, the authority would be held jointly by the Comptroller and the Board. Mr. Hostrup also pointed out that whenever the Board grants a determination (a so-called section 301 determination) that a company is not a holding company affiliate except for purposes of section 23A of the Federal Reserve Act, the examination authority with respect to such company is abandoned. If the definitions in the Bank Holding Company Act were amended to include holding company affiliates, the authority to examine such an affiliate would be restored to include all of the cases where section 301 determinations had been granted although, depending on the circumstances, that authority might rest in the Board or the Comptroller of the Currency, or jointly between them.

In further discussion, Mr. Hackley indicated that it was the Legal Division's feeling that the holding company affiliate provisions of the law had never been too effective and that the passage of the Bank Holding Company Act had made them less desirable. He agreed with the

2/6/61

view of Messrs. Hexter and Hostrup that the sharing of the examination authority did not seem to be a strong reason for withdrawing an otherwise sound recommendation.

Governor Robertson suggested that, if the Board so desired, a recommendation for repeal of the holding company affiliate provisions of the law could be accompanied by a recommendation that would vest examination authority in the Board in all cases. It was agreed, however, that it would be difficult to phrase the second recommendation in such manner as not to seem to cast aspersions on the adequacy of examinations of the Comptroller of the Currency.

Governor Robertson then expressed the personal view that, in addition to the proposed specific recommendations, the Board should also specifically recommend amendment of the Bank Holding Company Act to give the Board control over relocation of banks acquired by a holding company pursuant to Board approval. He recognized, however, that this would be inconsistent with the position taken by the Board on January 25, 1961, from which he had dissented.

After making a suggestion for a change at one point in the wording of the material that would precede the Board's specific recommendations in the Annual Report, Governor Robertson said that except for the item he had just mentioned, he would agree with the recommendations proposed to be referred to specifically in the Annual Report.

2/6/61

Governor Shepardson indicated that he would be willing to go along with the recommendations as proposed. He saw merit in the proposal mentioned by Mr. Hackley regarding a possible amendment to section 11 of the Bank Holding Company Act, but he realized that the inclusion of too many recommendations might lessen the possibility of obtaining any legislation.

Governor King indicated that, like Governor Mills, he had some question about withdrawing the 1958 recommendation that holding company expansion via bank mergers be brought under the provisions of the Bank Holding Company Act. From the standpoint of effective administration of problems involving holding company expansion, he felt that it was not a desirable arrangement to leave open an area where expansion could be accomplished without Board approval. However, he recognized the problem of duplicate jurisdiction and was inclined to feel that any new legislation in this respect should centralize authority in the Board. In the circumstances, he would not object to including in the Annual Report the material that had been proposed by the Legal Division.

Governor Szymczak, Governor Balderston, and Chairman Martin expressed concurrence in the proposed presentation in the Annual Report.

Accordingly, it was understood that, except for the change in wording proposed by Governor Robertson, the material prepared by the Legal Division would be included in the Annual Report in the form submitted.

Messrs. O'Connell and Hostrup left the meeting at this point.

2/6/61

Board policy record. A memorandum dated February 2, 1961, from Mr. Sherman had been distributed, accompanied by drafts of proposed entries for the policy record of the Board of Governors to be included in the Annual Report for 1960 pursuant to the requirement contained in the final paragraph of section 10 of the Federal Reserve Act. The proposed policy record consisted of nine entries, all of which were designated for inclusion in the policy record when the minutes for the respective meetings were circulated to the Board. No items designated for inclusion in the record at the time of circulation of the minutes had been excluded from the draft of policy record now submitted, and no additional items were found in the minutes for the year 1960 that would appear to be eligible for inclusion in the policy record, assuming that the Board desired to continue the same pattern of inclusion and exclusion that had been established in the past.

At this meeting Mr. Sherman distributed copies of a memorandum from Governor Mills dated February 6, 1961, presenting statements that he would like to have included in the policy record explaining (1) why he had abstained from voting on the amendment to Regulation Y, Bank Holding Companies, approved at the meeting on May 27, 1960, and (2) why he had dissented from the action taken at the meeting on July 27, 1960, to reduce margin requirements.

There being no objection, it was understood that the statements submitted by Governor Mills would be included in the policy record.

2/6/61

Governor Robertson indicated that he would like to make certain changes, not affecting the substance, in the statement of reasons for his adverse vote on the amendments to Regulation D, Reserves of Member Banks, that were approved at the meeting on October 26, 1960, and no objection was indicated.

There followed a discussion during which several suggestions were made for improvement or clarification of the language of several of the entries, following which the record of Board policy actions for 1960, as submitted with Mr. Sherman's memorandum, was approved unanimously for inclusion in the Annual Report subject to the changes that had been agreed upon at this meeting.

Visit by Illinois Bankers Association. Mr. Fauver stated that the Washington office of the American Bankers Association had inquired whether there would be any objection if the representatives of the Illinois Bankers Association who were coming to the Board's offices today brought along a photographer to take pictures of the group with members of the Board.

After a brief discussion, during which the matter of precedent was noted, it was agreed that such a procedure would not be desirable, although there would be no objection if the visitors wished to have pictures of the delegation taken at some appropriate place on the Board's premises. It was understood that Mr. Fauver would advise the American Bankers Association to such effect.

All of the members of the staff except Mr. Sherman then withdrew from the meeting.

2/6/61

Foreign travel by Mr. Sammons (Sixth Operational Meeting of Center for Latin American Monetary Studies). Chairman Martin referred to a memorandum dated January 24, 1961, from Mr. Marget, Director of the Division of International Finance, recommending that Mr. Sammons, Adviser in that Division, be authorized (1) to represent the Federal Reserve System at the Sixth Operational Meeting of the Center for Latin American Monetary Studies to be held in Buenos Aires, Argentina, April 3-15, 1961, (2) to visit several of the central banks of Latin America in connection with this trip, and (3) to serve as a lecturer on the functions of the Federal Reserve System at the Center for Latin American Monetary Studies during the week of August 14, 1961. The memorandum noted that Mr. Thompson, First Vice President of the Federal Reserve Bank of Cleveland, and a representative from the Federal Reserve Bank of New York, as yet unnamed, were expected to attend the Buenos Aires conference, concerning which the Board had furnished a set of papers referred to at the meeting on October 27, 1960.

Chairman Martin called attention to a question raised in Mr. Marget's memorandum as to whether the Board might wish to consider providing Mr. Sammons with a small representation allowance in order that he might feel free to entertain representatives of central banks, should the occasion arise, on the proposed trip to Buenos Aires and visits to central banks. He inquired what the recent practice of the Board had been and asked Governor Szymczak for his views on the need for such allowances.

2/6/61

-14-

Governor Szymczak stated that the Board had authorized representation allowances in a few cases and that he felt there might be instances where it was necessary for either a Board member or a staff member to do some entertaining when he attended a meeting as the Board's representative in a foreign country. He was not sure that such an allowance would be necessary in connection with this particular meeting, which was one of the periodic conferences on bank operational matters held by the Center for Latin American Monetary Studies. It was Governor Szymczak's thought that if a representation allowance were authorized for this meeting, it would tend to set a precedent that would suggest a similar practice at each future conference of this particular type.

During the ensuing discussion, reference was made to the fact that the Board had authorized representation allowances for the head of the System's delegation at several meetings of the Conference of Technicians of Central Banks of the American Continent and that it also had authorized representation allowances in a few other cases where either a Board member or a staff member attended an international conference at which he might be called upon to reciprocate courtesies extended by representatives of other countries. The suggestion was made that, rather than authorize a representation allowance in advance of the Buenos Aires meeting, it be understood that if Mr. Sammons felt it desirable to incur modest expenditures for meals or incidentals for the entertainment of delegates to the conference or other central bank representatives with whom he might confer

2/6/61

-15-

on the trip, a statement of such expenses could be submitted to the Board upon his return, at which time the Board would give further consideration to whether reimbursement for such expenditures was appropriate. No disagreement with this suggestion was indicated.

At Chairman Martin's suggestion, the Board then authorized Mr. Sammons (1) to represent the Federal Reserve System at the operational meeting to be held in Buenos Aires in April, (2) to visit several of the central banks of Latin America in connection with this trip, and (3) to lecture at the Center for Latin American Monetary Studies in Mexico City during the week of August 14. This authorization did not include the provision in advance of a specified representation allowance.

Reimbursement of Mr. Alderfer. Governor Shepardson referred to the discussion at the meeting of the Board on November 25, 1960, concerning the arrangements that he had tentatively made with Mr. Bopp, President of the Federal Reserve Bank of Philadelphia, for the services of Mr. Evan B. Alderfer for a period of approximately one year from about December 1, 1960. Governor Shepardson said that at that time it was understood that the Philadelphia Bank would continue to pay Mr. Alderfer's salary and items such as insurance and retirement contributions on behalf of the employee, while the Board would reimburse the Bank for travel and other expenses incurred by Mr. Alderfer incident to the assumption of the assignment, including living accommodations in Washington. Governor Shepardson recalled that at the time this was considered by the Board on

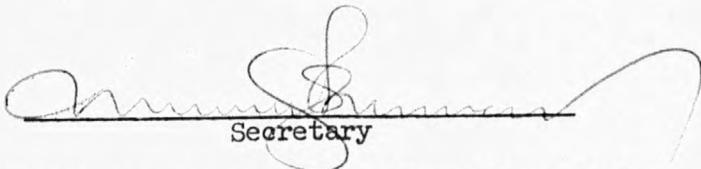
2/6/61

-16-

November 25 he mentioned one unusual item that President Bopp felt Mr. Alderfer should not be asked to stand. In mentioning that item to the Board, Governor Shepardson said, he intended that it be a part of the expenses for which the Board would reimburse Mr. Alderfer. This item was a teaching contract with the Wharton School of Finance totalling \$1,600 for the academic year, which Mr. Alderfer would be unable to renew when his present contract expired January 31, 1961, because of his temporary residence in Washington. It was Governor Shepardson's recommendation that the record now be made clear that the Board approved reimbursement to Mr. Alderfer of \$800 for the loss of income that he would incur for the spring semester of 1961 by reason of his inability to continue this outside teaching activity, with the understanding that the question of reimbursement for the loss of a similar contract for the fall of 1961 would be considered on the basis of the facts that might develop at that time.

Chairman Martin stated that inasmuch as there had been an understanding with President Bopp that the Board would reimburse Mr. Alderfer for such costs as he might incur in assisting the Board, it would appear that the Board had no alternative but to approve his reimbursement on the basis outlined by Governor Shepardson. There was unanimous agreement with this statement. 1/

The meeting then adjourned.


Secretary

1/ Governor Shepardson subsequently approved a memorandum from the Office of the Controller dated October 2, 1961, recommending payment of the second \$800.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Item No. 1
2/6/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 6, 1961



The Honorable Erle Cocke, Chairman,
Federal Deposit Insurance Corporation,
Washington 25, D. C.

Dear Mr. Cocke:

Reference is made to Mr. Wolcott's letter of January 18, 1961, concerning the application of C. P. Burnett & Sons, Bankers, Eldorado, Illinois, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

No corrective programs that the Board of Governors believes should be incorporated as conditions to the continuance of deposit insurance have been urged upon or agreed to by the bank.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25. D. C.

Item No. 2
2/6/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 6, 1961

Board of Directors,
Commercial State Savings Bank,
Greenville, Michigan.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System approves the establishment of a branch at 208 South Franklin Street, Greenville, Michigan, by Commercial State Savings Bank, provided the branch is established within nine months from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Item No. 3
2/6/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 6, 1961

Board of Directors,
Fidelity Bank and Trust Company,
Houston, Texas.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Dallas, the Board of Governors, acting under the provisions of Section 19 of the Federal Reserve Act, grants permission to the Fidelity Bank and Trust Company to maintain the same reserves against deposits as are required to be maintained by banks located outside of central reserve and reserve cities, effective with the first biweekly reserve computation period beginning after the date of this letter.

Your attention is called to the fact that such permission is subject to revocation by the Board of Governors.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Item No. 4
2/6/61**T E L E G R A M**
LEASED WIRE SERVICEBOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

February 6, 1961

SANFORD - NEW YORK

Your wire February 2. Board approves the opening and maintenance of an account on your books in the name of Kuwait Currency Board subject to the usual terms and conditions upon which your Bank maintains accounts for foreign central banks and governments. It is understood that you will in due course offer participation in this account to the other Federal Reserve Banks.

(Signed) Merritt Sherman
SHERMAN

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Item No. 5
2/6/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



February 6, 1961.

Mr. Herbert V. Prochnow, Secretary,
Federal Advisory Council,
c/o The First National Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Prochnow:

The Board suggests the following topics for inclusion on the agenda for the meeting of the Federal Advisory Council to be held on February 20, 1961, and for discussion at the joint meeting of the Council and the Board on February 21:

1. What are the views of the Council regarding the current business situation and prospects for the next six months and for the remainder of the year? Are there any indications as yet that the recession is approaching bottom or that recovery is beginning to develop? If neither of these indications is yet evident, when would the Council anticipate that such signs might appear?

2. What are the Council's views on prospects for early solution or important amelioration of the unemployment problem? Is business investment in new plant and equipment and the rapid adoption of technological advances helping or hurting the unemployment situation?

3. What is the current situation in the housing field? Is activity being restrained by financial factors (availability of credit, interest rates, downpayments, and maturities), by failure of builders to judge accurately and to meet consumer wants in housing, or by a general market saturation that may persist for some time?

4. Is the demand for credit increasing or decreasing as compared with last November and with a year ago? Are demands for funds to carry business inventories showing signs of rising or falling more than seasonally? Are business inventory positions satisfactory or too high or too low? Is mortgage credit more available, and at lower rates, than it was six months ago?

Mr. Herbert V. Prochnow

-2-

5. To what extent has bank liquidity been replenished? Are banks likely to lengthen the maturity structure of their investment portfolios this spring? Are seasonal repayments of business loans of banks likely to be greater than usual this winter and spring? Has the competitive position of banks in attracting savings improved in the last six months relative to that of alternative savings outlets?

6. The Board would be glad to have the views of the Council regarding recent monetary and credit policy.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.