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Minutes for February 21, 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. 1/

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 ______ WM

Gov. Szymczak ______ MSS

Gov. Mills ______

Gov. Robertson ______ R

Gov. Balderston ______ CCB

Gov. Shepardson ______ CNS

Gov. King ______ JLK

1/ Meeting with the Federal Advisory Council

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 21, 1961, at 10:30 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary

Messrs. Enders, Murphy, Petersen, Hays, Hobbs, Persons, Livingston, Turner, Murray, Betts, and Frankland, Members of the Federal Advisory Council from the First, Second, Third, Fourth, Fifth, Sixth, Seventh, Eighth, Ninth, Eleventh, and Twelfth Federal Reserve Districts, respectively

Mr. R. Elmo Thompson, Chairman of the Board, The First National Bank and Trust Company of Tulsa, Tulsa, Oklahoma

Mr. Prochnow and Mr. Korsvik, Secretary and Assistant Secretary of the Federal Advisory Council, respectively

President Livingston noted that the following newly appointed members were attending their first meeting of the Federal Advisory Council: Mr. George A. Murphy, Chairman of the Board, Irving Trust Company, New York, New York; Mr. Howard C. Petersen, President, Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania; and Mr. Robert B. Hobbs, Chairman of the Board, First National Bank of Baltimore, Baltimore, Maryland. He also noted that Mr. Thompson was attending this meeting in the absence of Mr. McClintock, member of the Council representing the Tenth District.

President Livingston reported that the results of the election of officers of the Federal Advisory Council for the current year were as follows:

President	Homer J. Livingston
Vice President	Gordon Murray
Executive Committee	Homer J. Livingston, ex officio
	Gordon Murray, ex officio
	Ostrom Enders
	George A. Murphy
	Reuben B. Hays
Secretary	Herbert V. Prochnow
Assistant Secretary	William J. Korsvik

Before this meeting the Federal Advisory Council had submitted to the Board a memorandum setting forth its views on the subjects to be discussed. The topics, the Council's views, and the discussion were as follows:

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?

Business currently is continuing to decline moderately, and the members of the Council anticipate some further contraction. Despite the present trend, most members of the Council believe that the recession is approaching bottom and that recovery should be under way in the last half of the year.

In reply to an indication by Chairman Martin that it would be helpful to have comments from members of the Council regarding the seriousness of the current economic situation, President Livingston referred to the visual-auditory presentation on economic growth that had been given to the Council yesterday by the Board's staff. He stated that he had been particularly impressed by the charts showing trends in gross national product and industrial production since the turn of the century because, disregarding temporary variations reflecting periods of recession, the long-term trend had been definitely upward in both of these categories. The fact that over the long run there had been a decided upward movement in the standard of living and volume of business probably was reflected in the degree of optimism with which the Council had approached some of the questions on the agenda for this meeting.

President Livingston then turned to Mr. Murphy, who reviewed recent Second District developments, bringing out particularly that the situation was spotty, some parts of the District having hardly felt the impact of the recession while others had been hard hit. After citing examples in the latter category, he observed that the current recession emphasized rather deep-seated tendencies in those areas, since it was superimposed on a longer-run condition of underemployment. Therefore, even if the economy started moving upward in the latter half of 1961, as he thought it would, there would still be the problem of inducing people to move out of distressed areas into areas of greater potential. With regard to the general business situation, Mr. Murphy mentioned his own bank's special loan situations, by which he referred to loans that had gotten a little troublesome, and said that although there were a few more of those situations today than there had been previously, no dramatic change appeared to have occurred. If businessmen cleaned up their inventories a little more and paid down bank loans somewhat further, and if consumer buying--which had held up quite well--strengthened during the remainder of the year, he felt that a solution to the present economic problem would be in sight. In his opinion, this was essentially a minor recession, and would be such if people kept their feet on the ground and did not get too disturbed. He felt that undue apprehension might be created if people talked in terms that the recession was going to be severe. According to his appraisal, and that of others in New York with whom he had talked, the recession was of a moderate nature and the year 1961 was likely to turn out to be one of the best in economic history except for the banner year of 1960.

Mr. Murray referred to the satisfactory agricultural situation in the Ninth District last year and said that people in the agricultural sections appeared to be feeling quite good, with prospects for the current year favorable, but subject, of course, to developments with respect to this year's crops. There were parts of the District where the economic situation was not good, particularly in the iron range area of Minnesota and Michigan, and he was not sure that the problem was going to be solved quickly. Even if steel production rose and more ore was needed, the area was beginning to be at a competitive disadvantage, and there seemed likely to be difficult times for a while. Essentially, it appeared that the problem would have to be solved by local interests through bringing in new industries or making concessions to the steel companies. In Minnesota there were some unemployment problems. However, as he talked to businessmen and bankers around the area, there seemed to be a general feeling of optimism about the coming months despite difficulty in pointing to any particular figures that showed improvement.

Mr. Enders indicated that although there were some bad spots in the First District, conditions generally were quite good, considering the effect of severe weather conditions on sales and production. A recent survey in the District indicated that planned capital expenditures were at least equal to the 1960 level. Further, the portion of funds planned to be spent on plant had increased and the portion planned to be spent on equipment had decreased, which indicated general optimism on the part of corporations as to the future. There were no signs of deepening recession in the area.

Mr. Hays said that continued unemployment compensation claims in Ohio were at an all-time high last week, but that this might give a rather distorted idea of the attitude of businessmen generally. While there definitely was uncertainty, nevertheless there was an undertone of optimism. As a "straw in the wind," he noted that some companies selling primarily to industry were beginning to receive telephone orders, which indicated that inventories were getting quite low and that there was beginning to be a need for materials. Also, scrap iron prices had firmed substantially in the past few weeks, although this might be due in some degree to buying on the part of Japanese companies. Even with the practice of keeping inventories as low as possible, it appeared that in some industries inventories were approaching minimum operating levels. In other sectors, however, such as new and used automobiles, farm machinery, and road-building machinery, inventories remained high. The general belief seemed to be that with better weather there would probably be a scraping of the bottom in March and that some time after the first of April there would begin to be a slow improvement in the volume of business.

In reply to a question, President Livingston said it was the consensus of the Council that inventories would have to shrink somewhat further before businessmen really felt comfortable. As an example, he referred to the used car situation in the Seventh District, where inventories were large, prices low, and repossessions higher than they had been for a long time.

Mr. Petersen referred to the underlying feeling of optimism being expressed by people to whom he talked in the Third District. While it was hard to find the basis for this optimism, it was a psychological factor that did exist.

President Livingston said that this attitude of optimism also had been commented upon by other members of the Council. He then referred to the level of prices in the stock market and expressed some apprehension. This was because he could not find a basis for prices being as high as they were and because he felt that if prices should recede substantially this might have an adverse psychological reaction detrimental to the future trend of the economy.

With further regard to inventories, Mr. Murphy brought out that even with an improvement in the economic situation inventories might not rise to previous high levels because of better controls and the availability of transportation facilities that enabled goods to be moved from one place to another more rapidly. On the one hand, this might mean that the building-up of inventories would not provide as much impetus to economic expansion as in the past. On the other hand, it would be desirable if inventories did not rise to such extremely high levels as to produce unsustainable boom conditions. In reply to a comment by Governor Shepardson, he agreed that the maintenance of lower inventories could reduce the cost of goods produced.

The discussion of this topic concluded with an observation by President Livingston that over a period of years Chairman Martin had frequently remarked on the tendency for appraisals of the business outlook to be rather poor in the month of February due to psychological factors. This was something that he felt should be borne in mind at the present time.

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?

Even with a considerable improvement in business activity, which would expand employment and lessen unemployment, the Council does not expect an early solution of the unemployment problem, which is of course aggravated by the substantial annual additions to the labor force. A part of this problem reflects fundamental changes in some areas of the economy such, for example, as the coal industry. Another part of the problem results from rapid and far-reaching technological advances. A third contributing factor is the relative immobility of labor and industry. This is further complicated by the lack of labor skills required in new and expanding industries. Over the long run, these developments do not cause permanent unemployment. However, the required adjustments--the movement of industry and labor, and the training necessary to acquire new skills--do require time, with the result that there is a lag in employment.

In a discussion of the distinction between structural and cyclical unemployment, question was raised whether the Council felt that it was possible for monetary policy to be of any substantial assistance as far as the former was concerned.

President Livingston expressed the view that monetary policy could do little in this regard. For example, in the coal producing areas the basic problem was one of competitive fuels. The industry was declining in spite of technological advances, and he doubted that monetary policy could do anything about such a situation. Personally, he questioned the desirability of attempting to perpetuate a situation where a structural change was occurring.

President Livingston then discussed reasons why the Council believed that although temporary unemployment might be created by technological advances, there would be gains in the longer run. In this connection, Mr. Murphy referred as an example to the conversion of manually operated elevators in an office building to electronic operation. Although some temporary unemployment might result, more labor is required to produce electronic elevator equipment than the standard equipment and a higher degree of labor skill is required. Also, in many cases it was being found that the introduction of new electronic devices did not result in reductions of the labor force. There tended to be a shifting to positions requiring more training, and by the same token more highly compensated.

Governor Mills inquired about the effect of the displacement of labor through automation in terms of labor relations and pressures toward increased protection against foreign products.

In reply, President Livingston pointed out that technological advances frequently tended to result in some degree of permanent unemployment in the area concerned. As an example, he cited improvements at a refinery in Indiana which had resulted in a substantial permanent reduction of the labor force. This meant that people must find employment in other industries, probably in other locations. He did not think there was any substantial feeling on the part of the rank and file of labor in favor of a "buy America" movement, although this might be used as a basis for campaigns by union leaders and others. In general, however, he would say that there had been a distinct rise of the psychology of protectionism in this country.

Governor Shepardson referred to a comment of the Council to the effect that one of the results of technological improvements could be a lessening of costs and a broadening of available markets. To the extent that increased productivity was reflected in lower costs, he thought this would be true. However, it appeared that there was a tendency for part of the productive gains to be absorbed in increased wage costs rather than to be reflected in lower prices. To the extent that labor pressed its demands so as to get more than its appropriate proportion of productivity gains, these gains would be inhibited.

President Livingston indicated that he would subscribe in general to this statement. However, using as an illustration the refinery in Indiana that he had mentioned previously, he brought out that the technological improvements had resulted in less employment. At the same time, the product was greater and cheaper than before, thus providing a broader market because the cost of the fuel was less than it would have been in the absence of the technological advances.

There followed a general discussion of the immobility of labor, including the causes of resistance to change between places of residence and between industries. Reference was made, among other things, to the serious problems involved in moving families from one location to another and to the problem of training veteran laborers to adjust to new types of work. While it was suggested that additional retraining opportunities might be helpful, nevertheless it was recognized that there were numerous factors operating to build up resistance to any change.

Mr. Murphy then reverted to the question of isolationism and cited certain examples that tended to point up the problem of the ability of American industries to compete in world markets. He noted that world developments were likely to produce increasing pressure for the protection of domestic businesses by building tariff barriers, but he added that in his opinion this would be most undesirable: the real solution was in the direction of meeting foreign competition. He felt that there would have to be a high degree of statesmanship in making important decisions that would no doubt be unpopular with certain segments of American industry.

There followed comments relating to the definition of "full employment," Chairman Martin having noted that the recession in 1953 started from an unemployment level of 2.3 per cent, the 1957-1958 recession from a level of 3.8 per cent, and the current recession from a May 1960 rate of 4.9 per cent. The Chairman observed that many economists today were advancing the theory that the current recession had been superimposed on an anemic recovery, during which it was alleged that the rate of growth had been inhibited by efforts to restrain inflation. In reply to a question, the Chairman noted that a number of years ago one well-known economist had made a fairly good case that a rate of unemployment as high as 5 per cent of the labor force was not unduly large. Chairman Martin expressed the personal view that a rate of 6.5 per cent might not be too alarming, considering the inevitable amount of frictional unemployment in a country like the United States. This was in contrast to the situation in a country such as England, where a rate of unemployment higher than 2 per cent appeared to be regarded as calling for governmental action. He noted that the question of the level of unemployment that should be regarded as tolerable presented a real problem.

3. What is the current situation in the housing field? Is activity being restrained by financial factors (availability of credit, interest rates, down payments, 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?

The members of the Council believe that there is at present a surplus in housing in many areas of the country. Activity in this field is not being restrained by financial factors. However, high costs of construction may be an inhibiting influence. The saturation that currently exists seems likely to prevent any important expansion in this field in the months immediately ahead.

President Livingston referred to his comments on the housing situation at recent meetings of the Council and said the situation in the Seventh District continued to be one in which more houses were available than people to buy them. He did not feel that this reflected a lack of money but rather an overbuilding of the kinds of houses normally purchased by the larger segment of the labor force employed in the District. Further, he understood that this situation was true rather generally throughout the country. None of the Council members, he said, felt that the current situation was due to a lack of availability of money or to its cost.

In further comments, President Livingston said that the market for used houses was poor, and unless a person could sell his present house he could hardly buy another one. This bore a resemblance to the situation in the automobile market. Mr. Livingston also commented that speculative building, thinly financed, was continuing in the Chicago area despite the many houses already available on the market. Thus, one should not be led to believe from the amount of construction in process that there was a real sustained demand for housing.

There followed discussion regarding the ability of the Government to be helpful in the present situation, and the view was expressed by President Livingston that, although there would no doubt be pressure in the direction of making money easier, this would not necessarily be a sound move.

Comments then were made by members of the Council with regard to the possible objectives of a Government program to assist the housing industry and with regard to developments in various Federal Reserve Districts. Mr. Betts reported a slight softening of the interest cost factor in temporary construction financing in his area. However, he expressed the view that this was not a solution to the over-all problem because more housing was avilable than the public was willing to take off the market. President Livingston reported that in his area the average rate offered by insurance companies on conventional 15-year mortgages had been reduced from 6 per cent to 5-3/4 per cent, but that this had not stimulated the buying of more houses. Among other things, he noted the reluctance of potential buyers to commit themselves due to the employment situation. Mr. Murphy expressed agreement with the view that the reduction of interest rates had not stimulated the demand for housing significantly.

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?

Most members of the Council report that the demand for credit is decreasing as compared with last November and with a year ago. There is general agreement that the demand for funds to carry business inventories is falling more than seasonally.

Some further moderate liquidation of inventories is probable, although the inventory position has been substantially strengthened. Mortgage credit is more available than it was six months ago, and rates are moderately lower.

In supplementary comments, President Livingston observed that the diminution of the demand for bank credit in somewhat more than seasonal proportions undoubtedly was related to the diminished flow of business. In spite of this development, however, the employment of bank resources was still at a high level, and there continued to be concern about the ability of the commercial banking system to superimpose additional credit on an already substantially invested position in the event of an upturn in business.

Mr. Murphy indicated that banks in his area felt more comfortable after a few months of monetary ease, but that their positions could again tighten rapidly. While he did not know whether the banks had actually turned down any loans they should have made, a year ago they were looking askance at loans that "walked in off the street" and they turned down some special situations. At the present time, loans remained at a fairly high level and even a modest turnaround of the business situation would fill the banks' portfolios. Any further expansion would cause the banks' positions again to be very tight.

Question was raised regarding the announcement in the press this morning concerning the decision of one New York City bank to issue negotiable time certificates of deposit to corporations, and Mr. Murphy expressed his understanding that other major banks in the city were likely to follow suit. He felt that this was a healthy development, for he had seen a lot of money shifted out of the commercial banks for special investment purposes and in his view this money could be used to the better advantage of the economy if it remained in the banking stream. He went on to point out that companies that normally carried demand deposits at a certain level had recently been carrying smaller balances and investing the remaining funds in order to obtain earnings. Therefore, the current development seemed to be in the direction of facing up to competition. Further, the device probably would be to the advantage of the customer for it should give him more flexibility. It would be necessary, of course, to wait for a while and review developments, but at the present moment he thought it was a desirable move.

President Livingston said he was probably one of the few bankers who favored elimination of the prohibition in the law against payment of interest on demand deposits. This statement was heretical as far as the banking business generally was concerned, but he continued to favor such a move. He felt that many bankers tended to hide behind the interest rate restrictions and to exhibit hostility to change, whereas they were living in a world of competition. A move such as he suggested probably would hurt some banks, but it would help others, and that was the way the economy flourished. Like Mr. Murphy, he welcomed the current development. When looking ahead, he said, a point of concern had to do with where the commercial banks would get the money to supply the demands for credit, for it did not appear to him that the volume of savings would supply enough funds.

President Livingston went on to comment that he was familiar with the circumstances that led to enactment of the pertinent provisions of the present law. However, the Treasury bill rate was now about 2-1/2 per cent, and he knew of many large bank customers who would leave their funds with the bank if 1-1/2 per cent could be paid on demand deposits. He found this attitude on the part of many corporate treasurers. Although he realized that there were dangers involved in eliminating the prohibition against the payment of interest on demand deposits, he did not feel that this degree of supervision over the affairs of business enterprise was essential. There are risks in the banking business, he pointed out, as well as in any other business, and essentially the problem is one of management. He regarded the current development as in the right direction and felt that anything that preserved more resources in the banking system would be to the advantage of the business and financial community.

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?

Bank liquidity has been replenished to a considerable extent. The members of the Council see no indication that banks will lengthen the maturity structure of their investment portfolios this spring. Seasonal repayments of business loans are likely to be greater than usual this winter and spring. The competitive position of banks in attracting savings has not improved in the last six months relative to that of alternative savings outlets.

In comments supplementing the statement of the Council, President Livingston said there had definitely been an improvement in the liquidity position of the commercial banks in recent months due to the diminution of loan demand and the repayment of loans, which had been somewhat more than seasonal. He went on to say, however, that the Council continued to be concerned about a development that had been discussed with the Board at previous meetings; that is, that over a period of time there had been a gradual erosion in the liquidity position of the banks because of changing characteristics of their portfolios.

With regard to the competitive position of banks in attracting savings, President Livingston commented to the effect that the commercial banks were still smarting under the inequality of their competitive position vis-a-vis mutual savings banks and savings and loan associations. The latter still had the advantage of tax benefits and were paying higher rates for savings. This situation might change, of course, if they found it increasingly difficult to place funds in mortgages at rates such as to enable them to pay high rates on their share accounts.

Chairman Martin referred to comments that had been heard to the effect that bank earnings would tend to decline substantially this year, and President Livingston indicated that he had some question about the word "substantially." At the same time, he was convinced that for the banking system as a whole net operating earnings after taxes in 1961 would be less than in 1960, which was a peak year, due to factors such as lower loan volume and the decline in the prime rate. Comments by other members of the Council were generally to the same effect, it being felt that earnings would be lower this year, but that, eliminating the year 1960, the current year might be one of the best from the standpoint of earnings. It was noted that some term loans are geared to the prime rate; thus there might be some progressive diminution of gross income and hence in operating earnings after taxes. It was also mentioned that banks were finding it increasingly difficult to keep expenses down.

Mr. Murphy alluded to the question of competition for the savings dollar, a problem that he considered quite important, particularly as one looked ahead. He felt that collectively the banks in any city do more for the community than any other type of financial institution, yet, as sometimes stated, an umbrella was being held over the heads of their competitors. After referring to the rates paid for savings in New York by mutual savings banks and savings and loan associations, he pointed out that all of this related to competition for the same savings dollar. It was his opinion that the commercial banks were losing the battle for that dollar, and that they would continue to lose the battle as long as there were rate, tax, and other differentials. In terms of the welfare of the economy, he felt that this was an area to which a lot of hard thinking needed to be directed. He did not pretend to know the answer, although he was inclined to question the wisdom of attempting to meet the problem by imposing additional cost burdens on competing financial institutions. In past years, he noted, convenience of location was important in attracting savings. Today, however, the public was more and more conscious of rate differentials, and institutions that paid higher rates tended to attract deposits.

Mr. Frankland commented that the situation referred to by Mr. Murphy was illustrated by conditions in the Twelfth District, especially the southern part. The commercial banks, he suggested, could hardly be more attractive competitors for the savings dollar until the competitive factors were equalized. He was not sure how long the savings and loan associations would be able to maintain the present level of dividend payments if the demand for credit eased off, but in the meantime the whole financial structure could be hurt. In making this comment, he was referring not only to the savings and loan associations but also to mutual savings banks and credit unions.

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

The Council is in accord with recent monetary and credit policy and believes the present degree of ease has been appropriate.

President Livingston indicated that the Council had considered, but decided against, including in its statement an additional clause which would have suggested that if there was to be any change in monetary policy, the Council would favor an easing of the reserve positions of the banks rather than any tightening. This thinking was simply a reflection of the current slack in the economy, which suggested that any change in monetary policy should be in the direction of easing rather than tightening. President Livingston added the observation that the statements of the Federal Advisory Council on this topic and others on the agenda were prepared before the Council learned of the recent action of the Federal Open Market Committee authorizing operations in longer-term Government securities. Therefore, the possible effect of that authorization had not been evaluated in the Council's statements.

Governor Balderston inquired of President Livingston whether the latter felt that further monetary ease would accentuate speculation in the stock market, and the reply was in terms that it probably would not accentuate such speculation to any important extent. President Livingston went on to say that it was his own view that the present degree of ease was appropriate. It was his general belief that it would not be possible to bring about an improvement of business simply by making money easier than at the present time.

Chairman Martin commented that the availability of money cannot be divorced completely from interest rates. If money was made substantially easier, there would also be a lowering of interest rates. From the comments that had been made on the housing situation, it appeared to be the Council's view that easier money would compound that problem rather than help. His own thinking, the Chairman said, had always been that the Federal Reserve should consider the domestic economy first at all times, as long as money could contribute to an improvement of domestic economic conditions. However, the greater availability of money might act in reverse if a sloppy situation developed. Further, the problem had been compounded recently by the balance-of-payments situation, and in his view a domestic recovery would not necessarily correct the balance-of-payments problem, although that was the assumption of many people. This was the dilemma with which the System was confronted. He was not advancing either side of the argument in these remarks, and was simply stating the problem.

Mr. Murphy commented that essentially the problem of the central bank was to find the happy medium and that he felt the Federal Reserve had been rather successful. He noted that foreigners who were keeping a close watch on the situation had been laudatory and had expressed approval of the present degree of ease. If the System eased further to any considerable extent, that probably would be construed as a danger signal. Certainly it would complicate the interest rate structure, and probably it would make the balance-of-payments problem more difficult. American banks would feel the effects in their time deposit structure, for they would take foreign money but could not use it. As of today, the banks were able to attract time money at 3 per cent, for there had been something of a turnaround and rates abroad had come down a bit. This reflected partly demand and supply conditions, but it appeared also to reflect cooperation on the part of foreigners, on the theory that what was good for the United States was good for them also. He found persons abroad much interested in Federal Reserve policy.

Chairman Martin concluded this discussion with informal remarks on the comments frequently heard with regard to coordinating interest rates around the world. In a sense, he pointed out, this was a phase of the question of protectionism that had been mentioned earlier in the meeting. He did not wish to make a case for or against that reasoning, but the whole world was seeking savings and he doubted whether this country could maintain an isolationist attitude in regard to interest rates. Monetary policy should not, however, be expected to bear too much of the burden.

President Livingston stated that the next meeting of the Federal Advisory Council was being planned for May 15-16, 1961, and no objection on the part of the Board was indicated.

The meeting then adjourned.

Secretary