

Minutes for April 13, 1964

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

M

Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. Mitchell

Gov. Daane

RSB
CS
MD
AD

Minutes of the Board of Governors of the Federal Reserve System
on Monday, April 13, 1964. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Balderston, Vice Chairman
Mr. Mills 1/
Mr. Shepardson
Mr. Mitchell

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Broida, Assistant Secretary
Mr. Young, Adviser to the Board and Director,
Division of International Finance
Mr. Noyes, Adviser to the Board
Mr. Fauver, Assistant to the Board
Mrs. Semia, Technical Assistant, Office of the
Secretary

Messrs. Brill, Holland, Koch, Garfield, Partee,
Williams, Dembitz, Axilrod, Eckert, Gehman,
Keir, Weiner, and Wernick of the Division of
Research and Statistics

Messrs. Furth, Hersey, Sammons, Katz, Wood, Gemmill,
Irvine, Maroni, and Swerling of the Division of
International Finance

Economic review. The Division of International Finance commented on the balance of payments, foreign trade, and financial and economic developments in various countries, after which the Division of Research and Statistics reviewed trends in prices, employment, industrial capacity and production, gross national product, and capital markets.

All members of the staff then withdrew except Messrs. Sherman, Kenyon, Young, Noyes, Fauver, Brill, Partee, and Dembitz, and Mrs. Semia, and the following entered the room:

Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank Operations
Mr. Solomon, Director, Division of Examinations

1/ Withdrew from meeting at point indicated in minutes.

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Mr. O'Connell, Assistant General Counsel
Mr. Hooff, Assistant General Counsel
Mr. Conkling, Assistant Director, Division of Bank
Operations
Mr. Bass, Assistant Controller
Mr. Morgan, Staff Assistant, Board Members' Offices
Mr. Young, Senior Attorney, Legal Division
Mr. McClintock, Supervisory Review Examiner, Division
of Examinations

Mr. Swan, President, Federal Reserve Bank of San
Francisco

Banking situation in Alaska (Items 1, 2, and 3). In a memorandum dated April 10, 1964, copies of which had been furnished to the members of the Board for their information, Mr. McClintock reported his attendance at a meeting at the Treasury on April 7 related to the coordination of Alaskan banking activities. In addition to representatives of the several Federal bank supervisory agencies, the meeting was attended by Messrs. E. E. Rasmuson, President of the National Bank of Alaska, and D. H. Cuddy, President of the First National Bank of Anchorage, both of Anchorage, Alaska. During discussion of possible measures of relief for conditions stemming from the recent earthquakes and tidal waves in Alaska, Messrs. Rasmuson and Cuddy had appeared seriously concerned about their inability to use their reserve balances for what they termed more useful purposes, and had inquired as to the possibility of a reduction of their reserve requirements, the use of correspondent accounts as a part of their reserves, or both, for the next several years. In order to submit such a proposal formally, at the conclusion of the meeting Messrs. Rasmuson and Cuddy dispatched to the Board a letter stating that "To mobilize the

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capital resources of the banks in Alaska and enable us to increase the credits for rebuilding homes and businesses desperately needed at this time, it would be invaluable if during this period of emergency, the requirement for maintenance of our legal reserves with the Federal Reserve System could be eliminated through waiver of the penalty for inadequate legal reserves. We estimate that this period should be for five years. The reduction of reserve balances with the Federal Reserve would also enable us to concentrate working balances with correspondent banks and encourage them to increase their loan participation with us."

There had been distributed a draft of reply to Messrs. Rasmuson and Cuddy that would take the position that it would not be in accordance with the intent of the law to permit Alaska member banks to disregard reserve requirements completely for a period as long as five years. The letter would state, however, that the Board had authorized the Federal Reserve Bank of San Francisco for the remainder of this year to waive, without reference to the Board, penalties for deficiencies in reserves incurred by any Alaskan member bank where the reserves released by the waiver of such penalties would be used to meet needs arising from the catastrophe. Also, the San Francisco Reserve Bank would be prepared to render any other appropriate assistance, including advances to Alaskan member banks. This reflected generally the recommendation of the Reserve Bank.

After introductory remarks by Mr. Farrell, Governor Mitchell expressed reservations as to the economic need for the proposed action

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and inquired whether assistance should not more properly take the form of extensions of Federal Reserve credit to Alaskan banks.

Governor Mills expressed concern that a relaxation of reserve requirements might create serious readjustment problems for the Alaskan banks when the normal requirements were reimposed. Moreover, the bulk of the reconstruction financing would have to be provided from sources other than the modest Alaskan banking system.

Mr. Swan commented that one of the difficulties of the situation was that it could not now be foreseen what circumstances would eventually be involved or what the total demands for credit would be. However, there appeared to be some immediate demand for credit for reconstruction and reopening of establishments. The San Francisco Reserve Bank was inclined against an over-all waiver of reserve requirements for a specified period of time and toward a waiver only of penalties for reserve deficiencies directly attributable to disaster credits. Six months would appear to be a minimum period for such a relaxation. As for readjustment problems when the usual requirements were reimposed, sufficient notice should be given the banks to enable them to accomplish the transition without too great difficulty.

Governor Mitchell remarked that, assuming there was need for business credit, if the Board abrogated the rule against continuous borrowing and allowed Alaskan banks to borrow freely for a period of time, the need would be accommodated and the banks would have an impelling motive to make readjustments.

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Mr. Swan expressed doubt that Alaskan banks had a great deal of eligible paper and said he was not sure as to the amount of their free Governments. The authority of section 10(b) of the Federal Reserve Act could be used to make advances on the security of any satisfactory asset, but the rate for such advances would be $1/2$ of 1 per cent higher than the discount rate. This could be construed as a penalty rate, which might put the Federal Reserve in an unfavorable light.

Governor Mills suggested that the situation had emotional overtones that exaggerated its urgency. He was apprehensive that if reserve requirements were relaxed, at the time they were reimposed Alaskan banks would have dissipated the reserves supplied to them.

Chairman Martin agreed that these observations might have merit. However, the Board was far from the actual scene and could not judge the situation from first-hand observation. In such circumstances, he was always disinclined to seem to dispute the gravity of the need. Also, the dollar amounts involved were not great. The aggregate of the reserve accounts of the national banks in Alaska was only approximately \$13 million.

Governor Mitchell again expressed the view that, since the problem had been represented to the Board as a need for bank credit, public relations could best be served by making it known that action had been taken to increase the availability of bank credit by removing the restriction against continuous borrowing. He asked if there was any indication that Alaskan banks needed help in terms of their earnings rather than in terms

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of service to the community, to which Mr. Swan replied that it appeared that the banks were likely to have substantial losses on some of their outstanding loans.

There followed discussion of the possible use of the authority under the third paragraph of section 13 of the Federal Reserve Act to discount for individuals, partnerships, and corporations. Other comments, particularly by Governor Mills, explored the possibility of avoiding any present commitment in the hope of gaining a better basis for judgment as additional information became available. However, the fact that the letter from Messrs. Rasmuson and Cuddy awaited reply was noted by the Chairman.

As the discussion continued there was increasing sentiment among a majority of the members of the Board, despite certain admitted reservations, in favor of authorizing the Federal Reserve Bank of San Francisco for the remainder of 1964 to waive penalties for reserve deficiencies of Alaskan member banks attributable to credit extended for disaster relief, and such an authorization was eventually approved, Governor Mitchell dissenting. Governor Mills, while not specifically dissenting, reiterated his doubt as to the need for and advisability of the action, at least at this time.

There was also discussion of the question of making a public announcement of the Board's action and, if such were made, the nature of an announcement that might be appropriate. The majority view was that the issuance of a press statement would be in order, particularly since

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the Federal Reserve action was essentially a part of the general Governmental program of assistance to the Alaskan economy in its reconstruction effort.

A copy of the telegram sent to the Federal Reserve Bank of San Francisco on April 14, 1964, conveying the authorization given at this meeting of the Board is attached as Item No. 1. A copy of the reply sent to Mr. Rasmuson on the same date is attached as Item No. 2; a similar reply was sent to Mr. Cuddy. A copy of the press statement issued on April 14, 1964, is attached as Item No. 3.

Mr. Swan then withdrew, as did Messrs. Farrell, O'Connell, Conkling, and McClintock.

Report on proposed amendment to S. 2468 (Item No. 4). There had been distributed a memorandum dated April 8, 1964, from the Legal Division regarding a proposed amendment to S. 2468, the omnibus housing bill, that would create a Federal Limited Profit Mortgage Corporation with authority to make mortgage loans to help provide new housing for moderate-income and elderly people. The powers that would be exercised by the proposed corporation were described in the memorandum, and attached was a draft of reply to a request dated March 17, 1964, from Chairman Robertson of the Senate Banking and Currency Committee for a report on the amendment. The draft reply was in terms that would question the need for and probable efficacy of the proposed corporation.

After discussion, the letter to Chairman Robertson was approved unanimously. A copy is attached as Item No. 4.

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Mr. Young (Legal Division) then withdrew.

Interest rates on time and savings deposits. There had been distributed a draft of reply to a letter dated March 24, 1964, from Chairman Robertson of the Senate Committee on Banking and Currency requesting the Board's views on the merits of Regulation Q, Payment of Interest on Deposits, and on the general policy of regulating the maximum interest rates payable on savings deposits at commercial banks. (The inquiry was assumed also to relate to the interest rates payable on time deposits.) After summarizing the history and philosophy of regulation of interest rates on time and savings deposits, and the Board's interpretation of its mandate for such regulation in section 19 of the Federal Reserve Act, the draft letter would express the Board's support of Recommendations 4 and 5 of the April 1963 report of the President's Committee on Financial Institutions. Recommendation 4 called for continuance of the prohibition of interest payments on demand deposits. Recommendation 5 concluded that the purposes served by continuous regulation of maximum time and savings deposit interest rates could be served as well by standby authority, and also recommended that other deposit-type financial institutions be encompassed under this authority. The substance of these recommendations had been incorporated in S. 1799, introduced by Chairman Robertson in June 1963.

Governor Mills presented the following statement of his views:

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The draft of letter proposed for transmission to Senator Robertson states policy positions of the Board that have not been determined by formal Board action and, in my opinion, are untenable. Any Board action taken either to adopt or reject these positions should not be taken hastily but only after formal deliberation and a record vote. Board action to place Regulation Q on standby authority is definitely a policy matter for record in the Board's Annual Report, and the position should not be casually, indirectly, or otherwise affirmed in the proposed letter addressed to Senator Robertson.

To the best of my recollection, the Board has at no time formally adopted the recommendations on interest rate regulations of the President's Committee on Financial Institutions submitted in April 1963. The nearest approach to adopting these regulations, as I recall, was to recommend that the Senate consider S. 1799 before taking up bills for revising the Federal Deposit Insurance Act. Even as to S. 1799, the Board's principal interests were its provisions relating to improved controls by the Federal Home Loan Bank Board over savings and loan associations, with the provision relating to Regulation Q being a secondary matter. In the absence of hearings on S. 1799, the Board has never formally indicated its position on that bill and there is no good reason for unsolicitedly drawing it into the proposed reply to Senator Robertson's inquiry. If and when hearings are held on the bill, it will be time enough for the Board to express its policy decision.

In my belief, the Board would err in recommending standby authority under Regulation Q at this time for, in effect, if standby authority were enacted the result would be to free commercial banks from any restraint over the maximum rates of interest that might be paid on time and savings deposits. Under existing circumstances when the real estate mortgage situation is suspect, when question has been raised regarding the massive commercial bank investment in State and municipal securities, and when negotiable time certificates of deposit are being frankly used as a vehicle for borrowing funds in order to augment the borrowing banks' employable resources, a standby position under Regulation Q would serve further to aggravate commercial banking activities that are already under suspicion. In other words, if, having placed a standby authority under Regulation Q, it was subsequently determined that maximum permissible ceiling rates of interest should be reimposed, great harm would have already been done as the barn door was shut after the horses were let loose.

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Granted that there are honest differences of opinion regarding the administration of Regulation Q, there can be no doubt that the heavy influx of funds into commercial bank time and savings deposits has provoked serious concern in the area of bank supervision and the responsibility for guiding the commercial banking system along the path of sound and conservative lending and investing practices. The draft letter emphasizes commercial bank competition for time and savings deposits. The use of the word "competition" is unfortunate, for the commercial banking system would be much better off if the deposit growth of individual banks originated out of normal deposit increases uninfluenced by cutthroat competition on the attraction of high interest rates. The fact that interest cost on time and savings deposits was the heaviest cost incurred in 1963 by member banks in the First and Second Federal Reserve Districts is a clear indication that any incentive to pay still higher interest rates on such deposits would be thoroughly inadvisable. Moreover, the Federal Home Loan Bank Board has urgently recommended no change in Regulation Q provisions, basing its opinion on the very matters of concern now cited. It would be a disservice to the Federal Home Loan Bank Board and to the commercial banking system, as well as an undesirable policy action, if the Board were now to favor publicly standby authority under Regulation Q.

A good case can be made that the heavy burden of time and savings deposits now carried by commercial banks is harboring future problems regarding their liquidity and the quality of their assets. Further deterioration in these areas should not be encouraged by the Federal Reserve Board as a primary authority functioning in the field of banking supervision and regulation. In fact, and in the event of an upward movement in interest rates, the Board would be well advised to maintain the existing maximum rates on time deposits and if, in doing so, some commercial banks were to lose time deposits carried through these instruments, the Board would have applied an indirect selective credit control acting to prevent a further unwarranted expansion by commercial banks into credit areas that are becoming overstrained. Moreover, if economic developments during 1964 should demand adoption of a restraining credit policy, consideration might well be given to raising the reserve requirements on time and savings deposits above the existing 4 per cent level and, in so doing, exercising a cautionary influence over the growth in near-money instruments which, on the advent of adverse economic conditions, could rapidly become frozen assets.

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Governor Shepardson agreed that the draft letter dealt with a policy question that should be thoroughly explored before the Board took a firm public position.

Governor Balderston commented that it would be necessary to arrive at such a position in order to reply to Chairman Robertson's request, after which Mr. Partee reviewed developments during recent hearings before the Senate Banking and Currency Committee that had given rise to the inquiry.

Governor Mitchell stated that his difficulty with the draft letter was that it was weak in defending the present ceilings. He believed that while most people would like to see ceilings eliminated eventually, many would feel that action at the present time would exert a leadership influence to push up interest rates that would be undesirable at this juncture. This point did not seem to come through in the draft letter. A ready lip service to taking off the ceilings at this stage and letting market forces operate freely seemed to fall short of an appropriate Board position. He admitted to difficulty in developing the thesis that the Board, through its ceilings, was leading interest rates around, but in a sense this was taking place.

Governor Mitchell did not think it necessary to endorse in the letter all of the recommendations of the President's Committee on Financial Institutions. If the Board could endorse the prohibition against payment of interest on demand deposits, there would seem to be no need to go

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further. It might be argued that the Board had in effect adopted a policy position of doing just what it was doing, namely, imposing ceilings on rates payable on time and savings deposits. If it thought the present ceilings were undesirable, presumably it would take action to raise the ceiling rates.

Mr. Hackley remarked that as part of the background it might be noted that in May and June 1963 the Board reported to the Bureau of the Budget on several draft versions of a bill to increase deposit insurance that also provided rate-regulating authority on a standby basis for the Federal Home Loan Bank Board with respect to savings and loan associations and for the Board with respect to member banks. The Board's reports had indicated that, with certain revisions relating to other matters, the bill was acceptable in principle. Thus by implication the Board might be considered on record as favoring standby authority; at least, the Bureau of the Budget had gotten that impression.

Governor Mitchell commented that he thought he was in favor of standby authority once the proper point had been reached, but he did not believe matters had come to that point. In principle, he would rather not have the ceilings, but he did not think they should be abandoned at the present time. If they were removed, it might be difficult to reinstate them at some future time. In his view, the reasons for not removing the ceilings at the present time were inadequately treated in the draft letter.

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After further discussion it was agreed that the staff would continue to work on the issues involved in Chairman Robertson's inquiry prior to further consideration thereof at another meeting of the Board.

Governor Mills withdrew from the meeting during the latter part of the preceding discussion.

Possible extension of interagency procedure. Mr. Hackley reported having received a telephone call from Treasury General Counsel Belin, who advised that the Secretary of the Treasury was giving consideration to extending the procedure set forth in his letter of March 3, 1964, to comprehend within it reports by a bank supervisory agency to a Congressional Committee or to the Bureau of the Budget on proposed legislation where it appeared that the views to be expressed might be in conflict with established positions of the other bank supervisory agencies. Mr. Belin suggested that Mr. Hackley obtain the reaction of the Board to such an extension of the procedure.

During discussion some reservations were expressed as to the practicability of the proposal. It was noted, however, that the originating agency would not be under obligation to be bound by such views as might be expressed by the other agencies. At the conclusion of the discussion, Chairman Martin suggested that Mr. Hackley be authorized to indicate to Mr. Belin that the Board would not object to the proposed extension of the current procedure, recognizing that exceptions might have to be made in instances where Congressional Committees requested

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reports on pending legislation on an urgent basis, and it was understood that Mr. Hackley would inform Mr. Belin to such effect.

Foreign travel. There had been distributed a memorandum dated April 10, 1964, from Mr. Young recommending that Stanley Sigel, Assistant to the Director, Division of Research and Statistics, be authorized to travel to Paris, France, April 13-18, 1964, to attend a meeting of Working Party 2 of the Organization for Economic Cooperation and Development, and that the expenses of such travel be paid by the Board.

Mr. Young's recommendation was approved unanimously. (Before Governor Mills withdrew from the meeting, he had indicated that he would approve the recommendation.)

Evaluation of Directors' Day. Chairman Martin referred to an evaluation of Directors' Day activities (March 18-19, 1964) contained in a memorandum from Mr. Morgan of April 3, 1964, that had been distributed to the Board. He suggested that if there were questions or comments, they be discussed at another meeting of the Board.

Survey of consumer finances (Item No. 5). On April 8, 1964, the Board approved conducting this year a balance sheet survey of consumer finances similar to the one conducted in 1963, with the understanding, however, that a firm cost estimate from the Bureau of the Census would be submitted to the Board for consideration. At today's meeting it was reported that the Bureau estimated that the survey would cost \$186,500.

A contract with the Bureau of the Census to conduct the survey was authorized on the basis of the estimate submitted, with the understanding

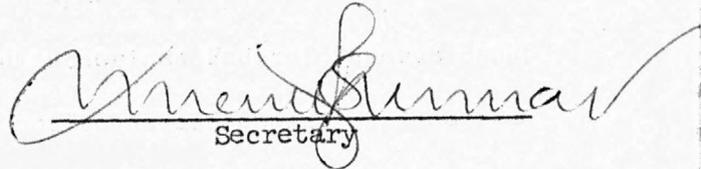
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that this action also approved the resulting overexpenditure in the Board's 1964 budget. A copy of the letter sent to Chairman Heller of the Council of Economic Advisers in this connection is attached as Item No. 5.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board a letter to the Federal Reserve Bank of Chicago (attached Item No. 6) approving the appointment of James F. Whitmer as assistant examiner.


Secretary

TELEGRAM
LEASED WIRE SERVICEItem No. 1
4/13/64BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

SWAN - SAN FRANCISCO

April 14, 1964.

COPY TO BARGLEBAUGH - SEATTLE

Reference is made to your wire of April 10, 1964 commenting on April 7 letter addressed to Board by Messrs. Rasmuson and Cuddy requesting waiver of penalties for deficient reserves of Alaska member banks.

In order to assist member banks in Alaska to meet credit demands arising from the recent catastrophe in that State as a result of earthquakes and tidal waves, Board authorizes Federal Reserve Bank of San Francisco, in its discretion, not to assess penalties incurred by any such member bank for deficiencies in its reserve requirements, provided (1) that the reserve bank is satisfied from information submitted by the member bank that deficiency resulted from member bank's use of funds to meet credit needs arising from such catastrophe and (2) that this authority is terminated as of close of business December 31, 1964.

For your information Board is today handing to the Press at 4 p.m. eastern standard time copy of statement quoted below and suggests that you may wish to make simultaneous announcement by your bank.

(Here Copy "A")

Board's letters to Messrs. Rasmuson and Cuddy are being mailed today direct to them at their respective banks in Alaska with copies of such letters to you.



SHERMAN

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 2
4/13/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 14, 1964.



Mr. E. E. Rasmuson,
President, National Bank of Alaska,
Anchorage, Alaska.

Dear Mr. Rasmuson:

This is in response to the letter of April 7, signed jointly by you and Mr. Cuddy, referring to the earthquake disaster in your State and suggesting that it would be invaluable if, during the emergency, requirements for maintenance of legal reserves with the Federal Reserve System could be eliminated through waiver of penalties for deficiencies.

The Board believes that it would not be in accordance with the intent of the law for it to take action that in effect would permit Alaskan member banks to disregard reserve requirements completely for a period as long as five years, as suggested in your letter. However, the Board, of course, wishes to take all appropriate steps that might encourage and facilitate the rebuilding of the devastated areas in Alaska. With this in mind, the Board has authorized the Federal Reserve Bank of San Francisco for the remainder of this year to waive, without reference to the Board, penalties for deficiencies in reserves incurred by any Alaskan member bank where the Reserve Bank is satisfied that the deficiency resulted from the member bank's use of funds to meet needs arising from the catastrophe. A copy of a press release issued by the Board in this connection is enclosed for your information.

You may be assured that the Federal Reserve Bank of San Francisco is prepared to render any possible assistance that may be appropriate in the circumstances, including advances to Alaskan member banks as noted in the enclosed press release.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosure



FEDERAL RESERVE

press release

Item No. 3 1287
4/13/64

For immediate release.

April 14, 1964.

The Federal Reserve System today moved to facilitate the efforts of Alaskan member banks to accommodate the credit needs of their customers for reconstruction and rehabilitation purposes.

The Federal Reserve Board authorized the San Francisco Federal Reserve Bank to relax penalties for failure to maintain the balances that member banks are required to keep with the Reserve Bank.

The text of the Board's authorization follows:

"In order to assist member banks in Alaska to meet credit demands arising from the recent catastrophe in that State as a result of earthquake and tidal waves, Board authorizes Federal Reserve Bank of San Francisco, in its discretion, not to assess penalties incurred by any such member bank for deficiencies in its reserve requirements, provided (1) that the Reserve Bank is satisfied from information submitted by the member bank that deficiency resulted from member bank's use of funds to meet credit needs arising from such catastrophe, and (2) that this authority shall terminate as of close of business December 31, 1964."

The Federal Reserve Bank of San Francisco also called attention to the fact that it was prepared to make credit available to Alaskan banks under various provisions of the Federal Reserve Act and regulations of the Board applicable to emergency conditions. These include making credit available to member banks for longer periods to help them meet the unusual situation in Alaska.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 4
4/13/64

OFFICE OF THE CHAIRMAN

April 14, 1964.

The Honorable A. Willis Robertson, Chairman,
Banking and Currency Committee,
United States Senate,
Washington, D. C. 20510

Dear Mr. Chairman:

This is in response to your request of March 17, 1964, for the Board's views on a proposed amendment to the omnibus housing bill, S. 2468. This amendment would create a Federal Limited Profit Mortgage Corporation with authority to make mortgage loans to help provide housing for moderate-income and elderly people.

The Board is especially concerned by the provision of the amendment that would authorize an increase in the amount of outstanding tax-exempt obligations by as much as "an aggregate annual amount not to exceed \$500,000,000 except that with the approval of the President such aggregate annual amount may be increased at any time or times on or after July 1, 1965, by additional amounts aggregating not more than \$1,500,000,000. . . ."

The proposed amendment would exempt the Corporation's obligations, both as to principal and interest, "from all taxation imposed by the United States, or any State, county, municipality, or local taxing authority." The United States Treasury in 1941 stopped issuing partially tax-exempt Federal bonds and, since then, has retired all obligations of the type issued prior to that date. Moreover, the Treasury has repeatedly opposed any reissuance of partially or fully tax-exempt Federal securities as well as the sale of any new tax-exempt obligations by Federally sponsored corporations. The Board of Governors is in complete accord with the position of the Treasury in this regard. The proposed issuance of tax-exempt obligations would only complicate the difficult fiscal problems posed by the large and growing amount of outstanding tax-exempt State and local government issues.

The Honorable A. Willis Robertson -2-

Holders of any defaulted obligations of the Corporation would be entitled to receive three-year debentures in exchange therefor, the latter to be retired out of the "Insurance Fund" or out of any funds of the Corporation. It is not readily apparent how the ability to substitute one form of the Corporation's debt for another in default would improve the marketability of the Corporation's notes or other obligations.

Recent housing legislation has included provisions designed specifically to offer further assistance in providing moderate-income housing as well as housing for the elderly under the system of FHA insurance for private mortgages, backed by the Federal National Mortgage Association. In view of these existing programs there would appear to be some question as to the desirability of instituting, for the same purpose, a new program in a public lending agency, particularly in the light of the current ready supply of private mortgage funds and the widening choice of housing accommodations available in most localities.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 5
4/13/64

OFFICE OF THE CHAIRMAN

April 13, 1964.

The Honorable Walter W. Heller,
Chairman,
Council of Economic Advisers,
Executive Office of the President,
Washington, D. C. 20506

Dear Walter:

I am sure you will be happy to know that the Board has approved the idea of our undertaking another survey of consumer finances and saving behavior, as requested in your letter of March 6. We are asking the Census Bureau to begin planning the initial phase of the program, namely, getting information on consumers' financial positions as of early 1964. We will shortly be re-interviewing families who gave us information on their financial positions last year in order to learn about their spending and saving behavior in 1963. If this phase of the program proves successful, we can then turn to the question of repeating such a reinterview next year.

As noted in your letter, the most that can be done at present is to collect the information and stockpile it for future analysis. Our own staff will be busy this year conducting, processing, and analyzing the results of the 1963-64 surveys. When this has been completed, we can begin analysis of the 1964-65 surveys.

I have asked Dan Brill to keep in touch with Gardner Ackley about the progress of the survey and to let you know if any hitches develop.

Sincerely yours,

A handwritten signature in cursive script that reads "Bill".

Wm. McC. Martin, Jr.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 6
4/13/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 14, 1964.



CONFIDENTIAL (FR)

Mr. Leland Ross, Vice President,
Federal Reserve Bank of Chicago,
Chicago, Illinois. 60690

Dear Mr. Ross:

In accordance with the request contained in your letter of April 8, 1964, the Board approves the appointment of James F. Whitmer as an assistant examiner for the Federal Reserve Bank of Chicago. Please advise the effective date of the appointment.

It is noted that Mr. Whitmer is indebted to Central State Bank, Muscatine, Iowa, a State member bank. Accordingly, the Board's approval of the appointment of Mr. Whitmer is given with the understanding that he will not participate in any examination of that bank until his indebtedness has been liquidated.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.