

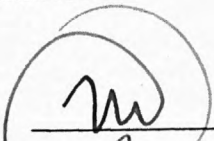
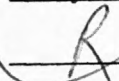
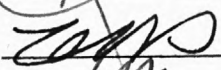
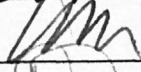
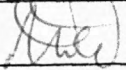
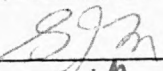
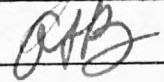
Minutes for September 8, 1966

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	<u></u>
Gov. Robertson	<u></u>
Gov. Shepardson	<u></u>
Gov. Mitchell	<u></u>
Gov. Daane	<u></u>
Gov. Maisel	<u></u>
Gov. Brimmer	<u></u>

Minutes of the Board of Governors of the Federal Reserve System on Thursday, September 8, 1966. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Robertson, Vice Chairman
Mr. Shepardson
Mr. Mitchell
Mr. Daane
Mr. Maisel
Mr. Brimmer

Mr. Sherman, Secretary

Messrs. K. A. Randall, Chairman, and William W. Sherrill, member of the Board of Directors, Federal Deposit Insurance Corporation

This meeting was held for the purpose of exchanging views on several matters of common interest to the Board and the Federal Deposit Insurance Corporation, particularly the question presented by the position taken in the Comptroller of the Currency's August 23, 1966, communication to national banks that such banks had the right, if not the duty, to absorb exchange charges in the same manner as their nonmember bank competition.

As a result of the discussion at this meeting it was understood that Messrs. Randall and Sherrill would explore certain possibilities with their staff and that they would meet again with the Board in about a week or ten days.

A memorandum covering the details of today's meeting is being placed in the Board's files.

9/8/66

-2-

The meeting then recessed and reconvened in the Board Room at 4:00 p.m. with the same members of the Board present and the following staff:

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Young, Senior Adviser to the Board and Director, Division of International Finance
Mr. Holland, Adviser to the Board
Mr. Solomon, Adviser to the Board
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Brill, Director, Division of Research and Statistics
Mr. Hexter, Associate General Counsel

The White House had released the text of a Presidential message to the Congress setting forth certain fiscal proposals with a view to combating inflationary pressures. Prominent among them was a recommendation that the Congress make inoperative, for a temporary period, special tax incentives for business investment in plant and equipment. The President also announced an intention to reduce or eliminate lower-priority Federal expenditures and indicated that efforts would be made to ease the inequitable burden of high interest rates and tight money.

The question considered was whether the Board should issue a statement with reference to the Presidential message. A draft of possible statement had been distributed to the Board members.

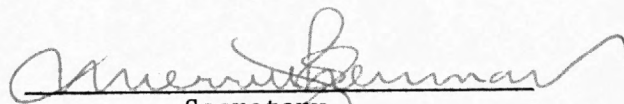
It was the consensus that a statement should be issued, and several suggestions were made for amendments to the distributed draft.

9/8/66

-3-

At the conclusion of the discussion unanimous approval was given to the issuance of a statement in the form attached as Item No. 1.

The meeting then adjourned.


Secretary



FEDERAL RESERVE

press release

Item No. 1
9/8/66

3329

For immediate release.

September 8, 1966.

The Board of Governors of the Federal Reserve System today issued the following statement:

The program and proposals announced by the President today are directed towards curbing some of the extraordinary demands for goods, services, and credit that have been pressing up prices and interest rates alike.

The Federal Reserve, in the succession of actions it has taken, including its action last week with respect to discount operations, has been directing its efforts to the same purposes. But the Federal Reserve's powers are limited to restraining the growth of spending that is financed by borrowed money.

The contemplated fiscal policy measures, affecting both government and private expenditures, should operate along with the Federal Reserve's actions in the monetary sphere to combat inflation and to foster sustained, healthy economic growth.

To the extent that Presidential and Congressional action of this character serve to moderate overall demand in the economy, strains on credit and financial resources, which have been a major factor in the recent rise in interest rates, will be lessened. The Federal Reserve will continue to be alert to any easing of inflationary pressures in order that monetary policy can be adjusted accordingly.