MINUTES OF THE MEETING OF THE FEDERAL ADVISORY COUNCIL

May 12, 1957

The second statutory meeting of the Federal Advisory Council for 1957 was convened in Room 932 of the Mayflower Hotel, Washington, D.C., on May 12, 1957, at 2:25 P.M., the President, Mr. Fleming, in the Chair.

Present:

Lloyd D. Brace	District No. 1
Adrian M. Massie	District No. 2
William R. K. Mitchell	District No. 3
Frank R. Denton	District No. 4
Robert V. Fleming	District No. 5
Comer J. Kimball	District No. 6
Homer J. Livingston	District No. 7
Lee P. Miller	District No. 8
Julian B. Baird	District No. 9
R. Crosby Kemper	District No. 10
George G. Matkin, Alternate for Walter B. Jacobs	District No. 11
Frank L. King	District No. 12
Herbert V. Prochnow	Secretary
William J. Korsvik	Assistant Secretary

Absent: Walter B. Jacobs — District No. 11

On motion duly made and seconded, the mimeographed notes of the meeting held on February 17, 18, 19, 1957, copies of which had been sent to the members of the Council, were approved.

A complete list of the items on the agenda for the meeting, and the conclusions of the Council are to be found in the *Confidential Memorandum to the Board of Governors from the Federal Advisory Council*, which follows on pages 15, 16 and 17.

The meeting adjourned at 5:40 P.M.

HERBERT V. PROCHNOW
Secretary

WILLIAM J. KORSVIK
Assistant Secretary

MINUTES OF THE MEETING OF THE FEDERAL ADVISORY COUNCIL

May 13, 1957

At 10:10 A.M., the Federal Advisory Council reconvened in Room 932 of the Mayflower Hotel, Washington, D.C.

Present: Mr. Robert V. Fleming, President; Messrs. Lloyd D. Brace, Adrian M. Massie, William R. K. Mitchell, Comer J. Kimball, Lee P. Miller, Julian B. Baird, R. Crosby Kemper, George G. Matkin, Alternate for Mr. Walter B. Jacobs, Messrs. Frank L. King, Herbert V. Prochnow, Secretary, and William J. Korsvik, Assistant Secretary.

Absent: Messrs. Frank R. Denton, Homer J. Livingston and Walter B. Jacobs.

The Council reviewed its conclusions of the previous day regarding the items on the agenda, and sent to the Secretary of the Board of Governors the *Confidential Memorandum* which follows on pages 15, 16 and 17, listing the agenda items with the conclusions reached by the Council. The *Memorandum* was delivered to the Secretary of the Board of Governors at 12:45 P.M. on May 13, 1957.

The meeting adjourned at 12:15 P.M.

HERBERT V. PROCHNOW
Secretary

WILLIAM J. KORSVIK
Assistant Secretary

MEMORANDUM TO THE BOARD OF GOVERNORS FROM THE FEDERAL ADVISORY COUNCIL RELATIVE TO THE AGENDA FOR THE JOINT MEETING ON MAY 14, 1957

1. What are the views of the members of the Council regarding the economic outlook for the approximate period mid-May to mid-autumn of this year? While all major phases of the economy should be covered in this review, the Board would like particularly to have comments on the programs of operative builders for construction of houses during the next year, and how the aggregate demand for residential mortgage credit will compare with funds available for that purpose.

Despite some soft spots, practically all districts anticipate the continuation of a high level of business between now and mid-autumn. Some districts expect that the volume of business may even increase during this period.

Residential construction has declined in all but two districts in comparison to a year ago. The decrease is largely attributable to the unrealistic terms of VA and, to a lesser extent, FHA loans. In addition, in some areas the existing supply of new homes seems adequate to meet present demands. Credit is generally available to meet the demand for conventional mortgages.

2. The Board would like to have the members of the Council comment on the attitude of the business community toward the level of prices and the cost of living. That is, how do businessmen really feel about a rising price level such as has been experienced in recent years? Do they believe that in the years to come a rising price level is necessary as an alternative to unemployment? Do they understand and favor the vigorous use of credit and fiscal measures to maintain a dollar of relatively stable purchasing power?

There is no one attitude toward the level of prices and the cost of living which may be said to characterize all businessmen. However, from discussions with a number of businessmen, the members of the Council are of the opinion that the business community views with concern the rising price level and the increase in the cost of living. Nevertheless, in a period of strong and sustained demand for goods and services, there is a tendency to consider only the immediate future and to grant wage increases, especially if they can be absorbed largely or entirely by higher prices. Moreover, under these conditions, there is also a reluctance to risk idling plant and equipment as a result of strikes growing out of the resistance to wage demands.

The Council is of the opinion that most businessmen do not believe a rising price level is necessary as an alternative to unemployment. On the other hand, if confronted with a choice, they probably would choose a moderately rising price level to widespread, prolonged unemployment. Most businessmen would prefer stable prices and a high level of employment.

To the extent that businessmen understand the vigorous use of credit and fiscal measures to maintain a dollar of relatively stable purchasing power, they favor such measures. However, a broad educational program directed toward the business community would be greatly helpful in providing the needed understanding and support of these measures over the business community generally.

3. The Board would appreciate comments as to the experience of banks generally regarding

   (a) whether, as the result of paying higher interest rates, savings and other time deposits have increased since January 1, 1957;

   (b) if so, whether and to what extent the increase reflects a shift from demand deposits and from funds formerly in savings and loan associations; or whether it reflects entirely new savings;

   (c) whether the cost of the higher interest rates announced on savings and time deposits has had an effect on operating policies of the banks.

The Council believes that the experience of banks generally may be described as follows:

(a) Banks which raised their savings interest rates to 3 per cent on January 1, 1957 have experienced a material increase in savings deposits. The increase in rates also has been helpful in holding other time deposits. Some banks which increased their savings rates to 2 or 2½ per cent in 1956 report that this action has tended to stabilize their savings deposits.

(b) The increase in bank savings deposits thus far seems to reflect primarily a shift from other forms of savings rather than entirely new savings. It appears that the largest proportion of the increase can be accounted for by shifts from savings and loan associations and other institutions and from savings bonds, with only a small transfer from demand deposits. Over the long run, higher savings interest rates should be helpful in increasing new savings.

(c) Where interest rates on savings have been raised, there is evidence that banks have endeavored to obtain higher rates on their earning assets which in some instances has resulted in a shift in the types of assets. The payment of higher interest rates to savings depositors also has tended to increase service charges.

4. In the observation of members of the Council, what effect has reduced liquidity had on the availability of bank loans within their respective districts? Do the banks aim at maintaining any set ratio of liquidity as between loans and holdings of U. S. Government securities, etc.? In regulating their liquidity positions, is there any difference in the policies of banks in

   (a) central reserve cities

   (b) reserve cities

   (c) areas outside (a) and (b).

The reduced liquidity of banks has resulted in greater selectivity in the extension of credit. While most banks watch the ratio of loans to holdings of U. S. Government securities, deposits, capital funds, etc., the Council does not know of any fixed formula widely used by bankers of the country. In regulating their liquidity positions, the Council does not believe there is any real difference in the policies of banks in (a) central reserve cities, (b) reserve cities or in areas outside (a) and (b).

5. What is the Council's view of an appropriate credit policy for the period from the time of this meeting until mid-autumn of 1957?

The members of the Council approve the credit policies currently being pursued by the System.

Assuming, as we do, that the present high level of business continues, the Council believes that the current degree of restraint should be maintained. However, additional reserves will in all probability be required for the June tax needs, Federal fiscal requirements in the early summer months and other seasonal factors.

6. (a) The Board would appreciate receiving any comments the members of the Council may have as to the Bank Holding Company Act of 1956. (As suggested by Chairman Martin at the meeting on February 19, this topic will be carried on the agenda regularly until the spring of 1958.)

   (b) What are the views of the members of the Council as to whether all special exemptions from the definition of a bank holding company should be eliminated from the Bank Holding Company Act of 1956?

As the Board knows, the Council has consistently supported sound regulation of bank holding companies. The Council believes that while sound in its fundamental approach, the Act of 1956, contains exemptions that may result in possible abuses. The Council believes it desirable that these exemptions be eliminated.

Some members of the Council, who have special knowledge of bank holding companies, have proposed in writing certain technical amendments to the Act which they believe will contribute to the better administration of the Act within its avowed purposes.

The Council is of the opinion that the suggestions mentioned above merit the consideration of the Board.

7. The Board would like to have a further discussion of the problem of "window dressing" by banks for purposes of inflating deposits and reducing figures of bank borrowing at times of the regular reports of condition.

   The Council will be pleased to discuss this item with the Board.

8. The Council would like to know what progress the Board of Governors has made in their study of reserve requirements. In particular, the Council would like to know if the Board has come to any conclusion on the reserve requirement proposal advanced by the Economic Policy Commission of the ABA.

The Council would welcome any comments the Board wishes to make on this study.

MINUTES OF THE MEETING OF THE FEDERAL ADVISORY COUNCIL

May 13, 1957

At 2:25 P.M., the Federal Advisory Council convened in the Board Room of the Federal Reserve Building, Washington, D.C., the President, Mr. Fleming, in the Chair.

Present: Mr. Robert V. Fleming, President; Messrs. Lloyd D. Brace, Adrian M. Massie, William R. K. Mitchell, Comer J. Kimball, Julian B. Baird, R. Crosby Kemper, George G. Matkin, Alternate for Mr. Walter B. Jacobs; Messrs. Frank L. King, Herbert V. Prochnow, Secretary and William J. Korsvik, Assistant Secretary.

Absent: Messrs. Frank R. Denton, Homer J. Livingston, Lee P. Miller, and Walter B. Jacobs.

Dr. Ralph A. Young, Director, Division of Research and Statistics, Board of Governors of the Federal Reserve System, spoke on "The Problem of Creeping Inflation."

The meeting adjourned at 3:45 P.M.

HERBERT V. PROCHNOW
Secretary

WILLIAM J. KORSVIK
Assistant Secretary

MINUTES OF JOINT CONFERENCE OF THE FEDERAL ADVISORY COUNCIL AND THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

May 14, 1957

At 10:30 A.M., a joint conference of the Federal Advisory Council and the Board of Governors of the Federal Reserve System was held in the Board Room of the Federal Reserve Building, Washington, D.C.

Present: Members of the Board of Governors of the Federal Reserve System:

Chairman Wm. McC. Martin, Jr.; Vice Chairman C. Canby Balderston; Governors M. S. Szymczak, James K. Vardaman, Jr., A. L. Mills, Jr., and J. L. Robertson; also Mr. S. R. Carpenter, Secretary, and Mr. Merritt Sherman, Assistant Secretary of the Board of Governors.

Present: Members of the Federal Advisory Council:

Mr. Robert V. Fleming, President; Messrs. Lloyd D. Brace, Adrian M. Massie, William R. K. Mitchell, Frank R. Denton, Comer J. Kimball, Homer J. Livingston, Lee P. Miller, Julian B. Baird, R. Crosby Kemper, George G. Matkin, Alternate for Mr. Walter B. Jacobs; Messrs. Frank L. King, Herbert V. Prochnow, Secretary, and William J. Korsvik, Assistant Secretary.

Absent: Mr. Walter B. Jacobs.

The President of the Council read the first item on the agenda and the conclusions of the Council as given in the *Confidential Memorandum to the Board of Governors from the Federal Advisory Council*, as printed on pages 15, 16 and 17.

The President of the Council read the second, third, fourth, fifth and sixth items on the agenda and the conclusions of the Council as given in the *Confidential Memorandum* mentioned above.

President Fleming then read the seventh item on the agenda and the conclusions of the Council as stated in the aforementioned *Confidential Memorandum*. Some brief comments followed.

Vice Chairman Balderston suggested that it would be preferable if these practices could be corrected without the aid of legislation.

President Fleming then read the eighth item on the agenda and the conclusions of the Council.

Chairman Martin stated that the Board welcomed this inquiry from the Council and that in present circumstances any discussion of a possible reduction in reserve requirements is rather academic because of inflationary pressures now operating in the economy.

The meeting adjourned at 12:30 P.M.

HERBERT V. PROCHNOW
Secretary

WILLIAM J. KORSVIK
Assistant Secretary

NOTE: This transcript of the Secretary's notes is not to be regarded as complete or necessarily entirely accurate. The transcript is for the sole use of the members of the Federal Advisory Council. The concise official minutes for the entire year are printed and distributed later.

H. V. P.
W. J. K.

The Secretary's notes of the meeting of the Federal Advisory Council on May 12-14, 1957, at 2:25 P.M., in Room 932 of the Mayflower Hotel, Washington, D. C. All members of the Federal Advisory Council were present except Mr. Jacobs. Mr. George G. Matkin attended as alternate for Mr. Jacobs.

The Council approved the Secretary's notes for the meeting of February 17-19, 1957.

ITEM I

WHAT ARE THE VIEWS OF THE MEMBERS OF THE COUNCIL REGARDING THE ECONOMIC OUTLOOK FOR THE APPROXIMATE PERIOD MID-MAY TO MID-AUTUMN OF THIS YEAR? WHILE ALL MAJOR PHASES OF THE ECONOMY SHOULD BE COVERED IN THIS REVIEW, THE BOARD WOULD LIKE PARTICULARLY TO HAVE COMMENTS ON THE PROGRAMS OF OPERATIVE BUILDERS FOR CONSTRUCTION OF HOUSES DURING THE NEXT YEAR, AND HOW THE AGGREGATE DEMAND FOR RESIDENTIAL MORTGAGE CREDIT WILL COMPARE WITH FUNDS AVAILABLE FOR THAT PURPOSE.

Fleming reads Item I of the Agenda and remarks that this item is worded somewhat differently than usual in that there is no request for a district by district report. Fleming then asks the members of the Council to comment on changes in conditions they have observed in the business outlook since the last meeting.

Massie states that business is on a high plateau and very active. Income as a consequence also is high. Residential construction is off about 33 per cent against a year ago compared to an 18 per cent decline for the country. Non-residential construction, however, more than offsets this decline. Conventional mortgage activity is strong. Although no new FHA or VA commitments are being extended, those made in previous periods are being acted upon. Massie believes there will be enough money for conventional mortgages and non-residential building, but that money will be tight.

Mitchell states that the outlook is one for stability at a high level. Strong spots are offsetting weak ones in the economy. Consumer spending is high backed by employment and high wages. Residential builders are using caution and construction is off about 20 per cent. Increases in non-residential building have more than offset the decline in residential construction. He believes that the reduction in housing starts has not been caused by a shortage of money but by a decline in demand. There is plenty of money for conventional mortgages. GI money is short because of unattractive terms.

King states that money in his district has eased slightly and that he has seen some new FHA commitments.

Brace believes that the level of business for the next six months will be maintained with perhaps some pickup toward the end of the period. He reports that businessmen are concerned about the squeeze on profits. The district has mortgages. Kemper is of the opinion that business is somewhat more optimistic now than it was in February and that the squeeze on profits is not quite as severe as it was.

Matkin. The feeling of pessimism that prevailed the early part of the year seems to have dissipated. The rains have improved the outlook of the farmers and cattlemen. He believes business will stay at its present high level or move slightly upward. In his opinion, there are sufficient funds to care for mortgage demand.

King. Conditions in his district are more nearly in line with the national average than usual. There is a reported shortage of skilled workers in the district. There is and always has been adequate funds for conventional mortgages. King also believes that some money is now available for FHA financing.

Fleming comments on a report on profits margins which appeared in a recent issue of The First National City Bank letter. Fleming states that the Council can advise the Board that practically all districts anticipate the continuation of a high level of business between now and mid-autumn. Some districts expect that the volume of business may even increase during this period. Residential construction has declined in most districts. This decrease is attributable to the unrealistic terms of VA and to a lesser extent of FHA. In addition, in certain areas the supply of new homes seem adequate to meet the present demand. In general, credit is available for conventional mortgages.

ITEM II

THE BOARD WOULD LIKE TO HAVE THE MEMBERS OF THE COUNCIL COMMENT ON THE ATTITUDE OF THE BUSINESS COMMUNITY TOWARD THE LEVEL OF PRICES AND THE COST OF LIVING. THAT IS, HOW DO BUSINESSMEN REALLY FEEL ABOUT A RISING PRICE LEVEL SUCH AS HAS BEEN EXPERIENCED IN RECENT YEARS? DO THEY BELIEVE THAT IN THE YEARS TO COME A RISING PRICE LEVEL IS NECESSARY AS AN ALTERNATIVE TO UNEMPLOYMENT? DO THEY UNDERSTAND AND FAVOR THE VIGOROUS USE OF CREDIT AND FISCAL MEASURES TO MAINTAIN A DOLLAR OF RELATIVELY STABLE PURCHASING POWER?

Fleming reads Item II.

Massie is shocked to find that many businessmen think inflation is inevitable. Many of them have no concept of the objectives of the Fed policy or the problems confronting the Board.

Kemper believes many businessmen favor mild inflation.

Mitchell is of the opinion that the business community does not understand the relationship between credit and fiscal policies and the price level.

Denton states businessmen give lip service to inflation but often their behavior is quite different.

Baird suggest that a kind of Arden House meeting for businessmen ought to be arranged or sponsored by the monetary authorities.

Brace believes that bankers must begin to say "no" to credit demands.

Mitchell describes a luncheon he attended for twenty-five businessmen. After the objectives of the monetary authorities were explained there was wide support for their policies.

Livingston remarks that the businessman is enjoying very prosperous times, and while he professes to be against inflation, he does not want conditions to be disturbed.

Fleming suggests that the Council advise the Board that it believes the business community views with concern the rising price level and the increase in the cost of living. However wage demands are difficult to resist because of full employment. The Council also believes that a program of education directed to businessmen would be helpful in the fight on inflation.

ITEM III

THE BOARD WOULD APPRECIATE COMMENTS AS TO THE EXPERIENCE OF BANKS GENERALLY REGARDING (a) WHETHER, AS THE RESULT OF PAYING HIGHER INTEREST RATES, SAVINGS AND OTHER TIME DEPOSITS HAVE INCREASED SINCE JANUARY 1, 1957; (b) IF SO, WHETHER AND TO WHAT EXTENT THE INCREASE REFLECTS A SHIFT FROM DEMAND DEPOSITS AND FROM FUNDS FORMERLY IN SAVINGS AND LOAN ASSOCIATIONS; OR WHETHER IT REFLECTS ENTIRELY NEW SAVINGS; (c) WHETHER THE COST OF THE HIGHER INTEREST RATES ANNOUNCED ON SAVINGS AND TIME DEPOSITS HAS HAD AN EFFECT ON OPERATING POLICIES OF THE BANKS.

Fleming reads Item III and reports on the increase in savings experienced by the Riggs Bank. He also reports that he contacted Ray Dunkerley of the ABA who unfortunately had no recent figures.

Mitchell reports a 3 per cent increase in savings in his district.

King states that the March 24 call indicated that savings in the twelfth district had increased about 7 per cent. He does not believe that much of this was transferred from demand accounts.

Massie states that the savings banks have reported substantial increases.

Kemper says that in his district there has been a prompt response to the increase in rates to 3 per cent.

Miller. In general, banks in the district have not increased their rate to 3 per cent. However, those that have raised rates to 2 or 2-1/2 per cent have halted their decline. Banks in the St. Louis area which have gone to 3 per cent report a favorable response from savers.

Baird reports a 4 per cent increase in savings in the district.

Livingston states that banks in Chicago have been losing savings but the increase to 2 per cent in July of 1956 has tended to halt the attrition.

Denton states that deposits in the district are up about 4 per cent and that there has been no change in rate, which in Pennsylvania is limited to a maximum of 2-1/2 per cent.

Fleming summarizes the Council's opinion as follows:

(a) banks which raised their interest rates to 3 per cent on or about January 1 have experienced an increase in savings.

(b) the increase in savings deposits thus far reflects a shift from other forms of savings rather than new savings. In practically all districts, there has been a relatively small amount transferred from demand accounts.

(c) where interest rates on savings have been raised, banks have been put under pressure to increase their earnings. This has resulted in some instances in the change in the composition of bank assets.

ITEM IV

IN THE OBSERVATION OF MEMBERS OF THE COUNCIL, WHAT EFFECT HAS REDUCED LIQUIDITY HAD ON THE AVAILABILITY OF BANK LOANS WITHIN THEIR RESPECTIVE DISTRICTS? DO THE BANKS AIM AT MAINTAINING ANY SET RATIO OF LIQUIDITY AS BETWEEN LOANS AND HOLDINGS OF U. S. GOVERNMENT SECURITIES, ETC? IN REGULATING THEIR LIQUIDITY POSITIONS, IS THERE ANY DIFFERENCE IN THE POLICIES OF BANKS IN (a) CENTRAL RESERVE CITIES (b) RESERVE CITIES (c) AREAS OUTSIDE (a) AND (b).

Fleming reads Item IV.

A rather extended off-the-record discussion followed.

Denton suggests that the Council state, as it has in the past, that the reduced liquidity of banks has resulted in greater selectivity in the extension of credit.

Kemper agrees.

Miller states he knows of no set ratio of liquidity as between loans and holdings of U. S. Government securities, etc. that is widely observed by banks.

Baird agrees.

Fleming suggests that the Council advise the Board that the reduced liquidity has resulted in greater selectivity in the extension of credit. While most banks watch the ratio of loans to capital funds, deposits, and U. S. Government securities, the Council does not know of any fixed formula widely used by banks in the country. In the opinion of the Council there is no real difference in the policies of banks in central reserve cities, reserve cities, or in areas outside of these.

ITEM V

WHAT IS THE COUNCIL'S VIEW OF AN APPROPRIATE CREDIT POLICY FOR THE PERIOD FROM THE TIME OF THIS MEETING UNTIL MID-AUTUMN OF 1957?

Fleming reads Item V.

After a brief general discussion, it was concluded that the Council reply as follows:

"The members of the Council approve the credit policies currently being pursued by the System.

"Assuming, as we do, that the present high level of business continues, the Council believes that the current degree of restraint should be maintained. However, additional reserves will in all probability be required for the June tax needs, Federal fiscal requirements in the early summer months and other seasonal factors."

ITEM VI

(a) THE BOARD WOULD APPRECIATE RECEIVING ANY COMMENTS THE MEMBERS OF THE COUNCIL MAY HAVE AS TO THE BANK HOLDING COMPANY ACT OF 1956. (AS SUGGESTED BY CHARIMAN MARTIN AT THE MEETING ON FEBRUARY 19, THIS TOPIC WILL BE CARRIED ON THE AGENDA REGULARLY UNTIL THE SPRING OF 1958.)

(b) WHAT ARE THE VIEWS OF THE MEMBERS OF THE COUNCIL AS TO WHETHER ALL SPECIAL EXEMPTIONS FROM THE DEFINITION OF A BANK HOLDING COMPANY SHOULD BE ELIMINATED FROM THE BANK HOLDING COMPANY ACT OF 1956?

Fleming reads Item VI and suggests that the Council advise the Board that it would be glad to discuss with the Board any of the suggestions that the members of the Council have sent to the Board since the last meeting.

(At the meeting of the Council the following day this reply was changed as noted in the minutes covering that session.)

ITEM VII

THE BOARD WOULD LIKE TO HAVE A FURTHER DISCUSSION OF THE PROBLEM OF "WINDOW DRESSING" BY BANKS FOR PURPOSES OF INFLATING DEPOSITS AND REDUCING FIGURES OF BANK BORROWING AT TIMES OF THE REGULAR REPORTS OF CONDITION.

Fleming reads Item VII and suggests that the Council advise the Board that it will be pleased to discuss this item with the Board.

ITEM VIII

THE COUNCIL WOULD LIKE TO KNOW WHAT PROGRESS THE BOARD OF GOVERNORS HAS MADE IN THEIR STUDY OF RESERVE REQUIREMENTS. IN PARTICULAR, THE COUNCIL WOULD LIKE TO KNOW IF THE BOARD HAS COME TO ANY CONCLUSION ON THE RESERVE REQUIREMENT PROPOSAL ADVANCED BY THE ECONOMIC POLICY COMMISSION OF THE ABA.

Fleming reads Item VIII. He suggests that the Council state that it will welcome any comments the Board wishes to make on the study.

The meeting adjourned at 5:40 P.M.

THE COUNCIL RECONVENED AT 10:10 A. M. ON MAY 13, 1957, IN ROOM 932 OF THE MAYFLOWER HOTEL, WASHINGTON, D. C. ALL MEMBERS OF THE FEDERAL ADVISORY COUNCIL WERE PRESENT EXCEPT MESSRS. JACOBS, LIVINGSTON AND DENTON. MR. GEORGE G. MATKIN ATTENDED AS ALTERNATE FOR MR. JACOBS. MR. LIVINGSTON, A DIRECTOR OF SEARS, ROEBUCK & COMPANY, WAS ABSENT TO ATTEND THE ANNUAL MEETING OF THE COMPANY'S SHAREHOLDERS. MR. DENTON, VICE CHAIRMAN OF THE MELLON NATIONAL BANK AND TRUST COMPANY, ATTENDED A MEETING OF ITS BOARD OF DIRECTORS.

Baird suggests that the Council go on record as favoring the elimination of the exemptions from the definition of a bank holding company as contained in the Bank Holding Company Act of 1956. He adds that to do so would be lending support to the Federal Reserve Board.

King states that the Council probably should state that it favors the elimination of the exemptions.

Brace agrees.

Baird then presented the following statement which, after a brief discussion, the Council approved.

"As the Board knows, the Council has consistently supported sound regulation of bank holding companies. The Council believes that while sound in its fundamental approach, the Act of 1956, contains exemptions that may result in possible abuses. The Council believes it desirable that these exemptions be eliminated.

"Some members of the Council, who have special knowledge of bank holding companies, have proposed in writing certain technical amendments to the Act which they believe will contribute to the better administration of the Act within its avowed purposes.

"The Council is of the opinion that the suggestions mentioned above merit the consideration of the Board."

The Council then completed and approved the remaining portion of the attached Confidential Memorandum to be sent to the Board of Governors relative to the Agenda for the joint meeting of the Council and the Board on May 14, 1957. The Memorandum was delivered to Mr. Carpenter, Secretary of the Board of Governors, at 12:45 P.M. on May 13, 1957. It will be noted that each item of the Agenda is listed together with the comments of the Council.

The meeting adjourned at 12:15 P.M.

CONFIDENTIAL

MEMORANDUM TO THE BOARD OF GOVERNORS
FROM THE
FEDERAL ADVISORY COUNCIL
RELATIVE TO THE AGENDA FOR THE JOINT MEETING
ON MAY 14, 1957

1. What are the views of the members of the Council regarding the economic outlook for the approximate period mid-May to mid-autumn of this year? While all major phases of the economy should be covered in this review, the Board would like particularly to have comments on the programs of operative builders for construction of houses during the next year, and how the aggregate demand for residential mortgage credit will compare with funds available for that purpose.

Despite some soft spots, practically all districts anticipate the continuation of a high level of business between now and mid-autumn. Some districts expect that the volume of business may even increase during this period.

Residential construction has declined in all but two districts in comparison to a year ago. The decrease is largely attributable to the unrealistic terms of V.A. and, to a lesser extent, F.H.A. loans. In addition, in some areas the existing supply of new homes seems adequate to meet present demands. Credit is generally available to meet the demand for conventional mortgages.

2. The Board would like to have the members of the Council comment on the attitude of the business community toward the level of prices and the cost of living. That is, how do businessmen really feel about a rising price level such as has been experienced in recent years? Do they believe that in the years to come a rising price level is necessary as an alternative to unemployment? Do they understand and favor the vigorous use of credit and fiscal measures to maintain a dollar of relatively stable purchasing power?

There is no one attitude toward the level of prices and the cost of living which may be said to characterize all businessmen. However, from discussions with a number of businessmen, the members of the Council are of the opinion that the business community views with concern the rising price level and the increase in the cost of living. Nevertheless, in a period of strong and sustained demand for goods and services, there is a tendency to consider only the immediate future and to grant wage increases, especially if they can be absorbed largely or entirely by higher prices. Moreover, under these conditions, there is also a reluctance to risk idling plant and equipment as a result of strikes growing out of the resistance to wage demands.

The Council is of the opinion that most businessmen do not believe a rising price level is necessary as an alternative to unemployment. On the other hand, if confronted with a choice, they probably would choose a moderately rising price level to widespread, prolonged unemployment. Most businessmen would prefer stable prices and a high level of employment.

To the extent that businessmen understand the vigorous use of credit and fiscal measures to maintain a dollar of relatively stable purchasing power, they favor such measures. However, a broad educational program directed toward the business community would be greatly helpful in providing the needed understanding and support of these measures over the business community generally.

3. The Board would appreciate comments as to the experience of banks generally regarding
   (a) whether, as the result of paying higher interest rates, savings and other time deposits have increased since January 1, 1957;
   (b) if so, whether and to what extent the increase reflects a shift from demand deposits and from funds formerly in savings and loan associations; or whether it reflects entirely new savings;
   (c) whether the cost of the higher interest rates announced on savings and time deposits has had an effect on operating policies of the banks.

The Council believes that the experience of banks generally may be described as follows:

(a) Banks which raisedtheir savings interest rates to 3 per cent on January 1, 1957 have experienced a material increase in savings deposits. The increase in rates also has been helpful in holding other time deposits. Some banks which increased their savings rates to 2 or 2-1/2 per cent in 1956 report that this action has tended to stabilize their savings deposits.

(b) The increase in bank savings deposits thus far seems to reflect primarily a shift from other forms of savings rather than entirely new savings. It appears that the largest proportion of the increase can be accounted for by shifts from savings and loan associations and other institutions and from savings bonds, with only a small transfer from demand deposits. Over the long run, higher savings interest rates should be helpful in increasing new savings.

(c) Where interest rates on savings have been raised, there is evidence that banks have endeavored to obtain higher rates on their earning assets which in some instances has resulted in a shift in the types of assets. The payment of higher interest rates to savings depositors also has tended to increase service charges.

4. In the observation of members of the Council, what effect has reduced liquidity had on the availability of bank loans within their respective districts? Do the banks aim at maintaining any set ratio of liquidity as between loans and holdings of U. S. Government securities, etc.? In regulating their liquidity positions, is there any difference in the policies of banks in
   (a) central reserve cities
   (b) reserve cities
   (c) areas outside (a) and (b).

The reduced liquidity of banks has resulted in greater selectivity in the extension of credit. While most banks watch the ratio of loans to holdings of U. S. Government securities, deposits, capital funds, etc., the Council does not know of any fixed formula widely used by bankers of the country. In regulating their liquidity positions, the Council does not believe there is any real difference in the policies of banks in (a) central reserve cities, (b) reserve cities or in areas outside (a) and (b).

5. What is the Council's view of an appropriate credit policy for the period from the time of this meeting until mid-autumn of 1957?

The members of the Council approve the credit policies currently being pursued by the System.

Assuming, as we do, that the present high level of business continues, the Council believes that the current degree of restraint should be maintained. However, additional reserves will in all probability be required for the June tax needs, Federal fiscal requirements in the early summer months and other seasonal factors.

6. (a) The Board would appreciate receiving any comments the members of the Council may have as to the Bank Holding Company Act of 1956. (As suggested by Chairman Martin at the meeting on February 19, this topic will be carried on the agenda regularly until the spring of 1958.)

   (b) What are the views of the members of the Council as to whether all special exemptions from the definition of a bank holding company should be eliminated from the Bank Holding Company Act of 1956?

As the Board knows, the Council has consistently supported sound regulation of bank holding companies. The Council believes that while sound in its fundamental approach, the Act of 1956, contains exemptions that may result in possible abuses. The Council believes it desirable that these exemptions be eliminated.

Some members of the Council, who have special knowledge of bank holding companies, have proposed in writing certain technical amendments to the Act which they believe will contribute to the better administration of the Act within its avowed purposes.

The Council is of the opinion that the suggestions mentioned above merit the consideration of the Board.

7. The Board would like to have a further discussion of the problem of "window dressing" by banks for purposes of inflating deposits and reducing figures of bank borrowing at times of the regular reports of condition.

The Council will be pleased to discuss this item with the Board.

8. The Council would like to know what progress the Board of Governors has made in their study of reserve requirements. In particular, the Council would like to know if the Board has come to any conclusion on the reserve requirement proposal advanced by the Economic Policy Commission of the ABA.

The Council would welcome any comments the Board wishes to make on this study.

THE COUNCIL CONVENED IN THE BOARD ROOM OF THE FEDERAL RESERVE BUILDING, WASHINGTON, D. C. AT 2:25 P.M. ON MAY 14, 1957. ALL MEMBERS OF THE COUNCIL WERE PRESENT EXCEPT MESSRS. DENTON, LIVINGSTON, MILLER AND JACOBS. MR. GEORGE G. MATKIN ATTENDED AS ALTERNATE FOR MR. JACOBS. MR. MILLER WAS ABSENT TO ATTEND A MEETING OF THE A.B.A. LEGISLATIVE COMMITTEE OF WHICH HE IS CHAIRMAN.

Dr. Ralph A. Young, Director, Division of Research and Statistics, Board of Governors of the Federal Reserve System, spoke on "The Problem of Creeping Inflation." He suggested in the course of his discussion that the tools of monetary management had been blunted by the depreciation of the dollar. He concluded that monetary policy, to be effective in maintaining the stability of the value of the dollar, must have the help of competitive forces in the market.

A discussion followed in which President Fleming and members of the Council urged that Dr. Young make copies of his paper available to the Council.

Dr. Young said he would give the Council's request careful consideration.

The members of the Council said that they would find his remarks useful in discussing the matter of creeping inflation with their associates and with businessmen in their communities.

The meeting adjourned at 3:45 P.M.

THE COUNCIL CONVENED IN THE BOARD ROOM OF THE FEDERAL RESERVE BUILDING AT 10:30 A.M. ON MAY 14, 1957. ALL MEMBERS OF THE COUNCIL WERE PRESENT EXCEPT MR. JACOBS. MR. GEORGE G. MATKIN ATTENDED AS ALTERNATE FOR MR. JACOBS. THE FOLLOWING MEMBERS OF THE BOARD OF GOVERNORS WERE PRESENT: CHAIRMAN MARTIN, VICE CHAIRMAN BALDERSTON; GOVERNORS SZYMCZAK, VARDAMAN, MILLS AND ROBERTSON. MESSRS. CARPENTER, SECRETARY, AND SHERMAN, ASSISTANT SECRETARY, WERE ALSO PRESENT.

Fleming states that the Council was very impressed with Dr. Ralph Young's presentation yesterday afternoon on the problem of creeping inflation. Fleming states it would be helpful if members of the Council had copies of Dr. Young's comments.

ITEM I

WHAT ARE THE VIEWS OF THE MEMBERS OF THE COUNCIL REGARDING THE ECONOMIC OUTLOOK FOR THE APPROXIMATE PERIOD MID-MAY TO MID-AUTUMN OF THIS YEAR? WHILE ALL MAJOR PHASES OF THE ECONOMY SHOULD BE COVERED IN THIS REVIEW, THE BOARD WOULD LIKE PARTICULARLY TO HAVE COMMENTS ON THE PROGRAMS OF OPERATIVE BUILDERS FOR CONSTRUCTION OF HOUSES DURING THE NEXT YEAR, AND HOW THE AGGREGATE DEMAND FOR RESIDENTIAL MORTGAGE CREDIT WILL COMPARE WITH FUNDS AVAILABLE FOR THAT PURPOSE.

President Fleming then reads Item I and the conclusions of the Council as stated in the Confidential Memorandum to the Board. He adds that business sentiment is somewhat more optimistic now than when the Council last met in February.

Denton states that disappointing auto sales, the decline in residential housing and the reduction in inventories has forced him to wonder if business until next autumn will continue to be as good as it is now. He adds that he is doubtful.

Brace says that business is benefitting from the industrialization and diversification of the economy that is taking place in his district. He reports that most people have been pleased with the decline in inventories. The narrowing of the profit margin, however, is still causing some concern.

Mitchell says that the soft spots in the economy have been offset by increases in business and government spending. He believes business sentiment is more optimistic now than it was in February.

Livingston remarks that except for the Detroit, Kenosha and South Bend areas, employment in the district is good and there is a feeling of job security. This, he adds, provides a base for economic activity and accounts for the strong tone which retail sales have enjoyed. He looks for a continuance of a high level of business, with perhaps some further rise possible by mid-autumn.

Kemper states that the rains in his district have added to the generally optimistic outlook. He reports that housing starts increased in the early part of the year, in contrast to the other districts.

Massie says that the weakest spot in his district has been residential building, which has been more than offset by business construction. The service industries are going strong. He adds that these have absorbed labor which has been released by the textile industries. He anticipates that the high level of business will be sustained in the months ahead. Demand for credit is strong.

Vardaman asks Massie if he will classify this demand.

Massie states that the increase in demand has come from the finance companies. He notes that presently the finance companies are using about 70 per cent of their lines, as against a more usual 50 per cent.

Matkin states that despite the floods, the rains in Texas have been very helpful. He expects business to continue at its present high level and perhaps rise even higher. Some builders have complained about the lack of funds but Matkin believes funds are in adequate supply.

King also believes there is adequate money available to meet mortgage demands. The steel industry in the district is operating at 100 per cent of capacity, which is somewhat higher than the national average. The increase in loan demand in the district has come from the public utilities. In general, business continues at a high level, with some increase possible by mid-autumn.

Kimball states that the outlook in his district is somewhat more buoyant than in the rest of the country. He reports an upsurge in construction in recent months. Employment is at a high level. Consumer spending is up as a result of increased income. Deposits are up and debit activities in March were the highest in history. He reports substantial cotton acreage has been placed in the soil bank. This he believes will release labor, which will be helpful in attracting new business to the area.

Baird reports that business continues at a high level and that an increase is likely by mid-autumn. Consumer income has risen as has consumer spending. Business is more optimistic now than in February. Moisture has improved the agricultural and crop outlook in the district.

Miller. Business is at a very satisfactory level in his district. The outlook is improved, as compared to last February. Expanding industries in the district have tended to offset those which are declining.

Fleming states that the over-all picture in the district is good, despite some soft spots. The growth of industry in the district has been helpful.

ITEM II

THE BOARD WOULD LIKE TO HAVE THE MEMBERS OF THE COUNCIL COMMENT ON THE ATTITUDE OF THE BUSINESS COMMUNITY TOWARD THE LEVEL OF PRICES AND THE COST OF LIVING. THAT IS, HOW DO BUSINESSMEN REALLY FEEL ABOUT A RISING PRICE LEVEL SUCH AS HAS BEEN EXPERIENCED IN RECENT YEARS? DO THEY BELIEVE THAT IN THE YEARS TO COME A RISING PRICE LEVEL IS NECESSARY AS AN ALTERNATIVE TO UNEMPLOYMENT? DO THEY UNDERSTAND AND FAVOR THE VIGOROUS USE OF CREDIT AND FISCAL MEASURES TO MAINTAIN A DOLLAR OF RELATIVELY STABLE PURCHASING POWER?

Fleming reads Item II and the conclusions of the Council as stated in the Confidential Memorandum. He questions if businessmen in general understand the operation of credit and fiscal measures designed to maintain a dollar of relatively stable purchasing power. Dr. Young's remarks would be helpful to members of the Council, as they attempt to explain this matter to businessmen and associates in their respective communities.

Martin states that this comes to the heart of the problem and that education probably is the answer. However, if the Board or the System attempts to do the job they would be accused of playing politics.

Fleming states that many businessmen do not understand the problem.

Mitchell. Off-the-record comments.

Denton. Off-the-record comments.

Mitchell states that once businessmen understand the use of credit and fiscal measures to maintain dollar purchasing power, they favor such measures.

Martin asks if people are growing increasingly cynical about inflation.

Most members of the Council agree that this is so.

Martin replies that this compounds the difficulty.

Kemper replies that some of the cynicism comes from the fact that people believe that labor enters into the situation and it is politically difficult to stem labor's wage demands.

Vardaman states that he believes education is the answer and urges the members of the Council to talk to Rotary Clubs and other groups of that nature in their districts.

Matkin relates his experience with the Rotary Club in El Paso.

Mills states that a wage price spiral obviously requires more credit and that the antidote, of course, is to reduce the volume of credit or at least not permit it to increase. He asks what problems this precipitates? Would it cause some groups to be treated inequitably?

Fleming. It is impossible to anticipate the resulting problems.

Mills adds that if the supply of credit is limited but demand persists, the resulting allocation of credit creates certain problems.

Fleming. Tight credit has forced banks to exercise greater selectivity.

Kemper asks if an educational program directed to labor unions would be helpful.

Vardaman does not believe it would. He adds that we are not going to be able to enforce tight money if people do not want it. Congress is sensitive to the peoples wishes. He believes that education directed at the trade association level will be helpful. It is not tight money, but rather a program for maintaining the stability of the dollar.

Kimball relates his experience with the Florida groups and his talk to the Rotary Club in the area about price stability.

Kemper adds that it would be helpful if information about these problems came from businessmen rather than from bankers, Federal Reserve or Treasury officials.

Mitchell states that in the past year or so bankers also have increased their knowledge and understanding of these matters.

ITEM III

THE BOARD WOULD APPRECIATE COMMENTS AS TO THE EXPERIENCE OF BANKS GENERALLY REGARDING (A) WHETHER, AS THE RESULT OF PAYING HIGHER INTEREST RATES, SAVINGS AND OTHER TIME DEPOSITS HAVE INCREASED SINCE JANUARY 1, 1957; (B) IF SO, WHETHER AND TO WHAT EXTENT THE INCREASE REFLECTS A SHIFT FROM DEMAND DEPOSITS AND FROM FUNDS FORMERLY IN SAVINGS AND LOAN ASSOCIATIONS; OR WHETHER IT REFLECTS ENTIRELY NEW SAVINGS; (C) WHETHER THE COST OF THE HIGHER INTEREST RATES ANNOUNCED ON SAVINGS AND TIME DEPOSITS HAS HAD AN EFFECT ON OPERATING POLICIES OF THE BANKS.

Fleming reads Item III and the conclusions of the Council, as expressed in the Confidential Memorandum.

Kimball states that the volume of funds transferred from demand deposits to time accounts, tends to vary with the amount of the increase in rate paid on savings deposits.

King states that the ownership of the deposits, i.e. business or personal, within a particular bank, influences the amount of funds transferred from demand to time accounts.

Balderston mentions that the cashing of government savings bonds has probably accounted for some of the recently reported increase in time accounts.

Kemper observes that the 3 per cent rate apparently is attractive.

Fleming reports on the recent Reserve City meeting, where about one-third of those present had raised the rate to 3 per cent; one-third had raised to something less than 3 per cent and the remaining one-third had made no change at all.

ITEM IV

IN THE OBSERVATION OF MEMBERS OF THE COUNCIL, WHAT EFFECT HAS REDUCED LIQUIDITY HAD ON THE AVAILABILITY OF BANK LOANS WITHIN THEIR RESPECTIVE DISTRICTS? DO THE BANKS AIM AT MAINTAINING ANY SET RATIO OF LIQUIDITY AS BETWEEN LOANS AND HOLDINGS OF U. S. GOVERNMENT SECURITIES, ETC.? IN REGULATING THEIR LIQUIDITY POSITIONS, IS THERE ANY DIFFERENCE IN THE POLICIES OF BANKS IN (A) CENTRAL RESERVE CITIES (B) RESERVE CITIES (C) AREAS OUTSIDE (A) AND (B).

Fleming reads Item IV and the conclusions of the Council.

Denton mentions that the banks watch the various formulas developed by DuPont and G. M., for example, in choosing their depository. Banks also use the services provided by the local Federal Reserve bank whereby they can compare their experience with others and with the System in general.

ITEM V

WHAT IS THE COUNCIL'S VIEW OF AN APPROPRIATE CREDIT POLICY FOR THE PERIOD FROM THE TIME OF THIS MEETING UNTIL MID-AUTUMN OF 1957?

Fleming reads Item V and the conclusions of the Council. He adds that the attrition on the last refunding suggests that the Treasury may have to go to the market for cash sooner than they anticipated.

Mitchell suggests, that should the business situation change, that the Fed hesitate before putting funds into the market, as it is very difficult to reduce the money supply once it has been increased.

Fleming notes that the net borrowed reserve position of the System went to a minus $600 million for three weeks in a row and asks if this was deliberate. He states that Ralph Young indicated that the Illinois tax situation in April was a factor.

Martin replies that it was a factor. On the other hand, he observes that in the early part of the year, the reserve position was somewhat easier. He notes there was no change in policy but rather that projections are very difficult to make.

ITEM VI

(a) THE BOARD WOULD APPRECIATE RECEIVING ANY COMMENTS THE MEMBERS OF THE COUNCIL MAY HAVE AS TO THE BANK HOLDING COMPANY ACT OF 1956. (AS SUGGESTED BY CHAIRMAN MARTIN AT THE MEETING ON FEBRUARY 19, THIS TOPIC WILL BE CARRIED ON THE AGENDA REGULARLY UNTIL THE SPRING OF 1958.)
(b) WHAT ARE THE VIEWS OF THE MEMBERS OF THE COUNCIL AS TO WHETHER ALL SPECIAL EXEMPTIONS FROM THE DEFINITION OF A BANK HOLDING COMPANY SHOULD BE ELIMINATED FROM THE BANK HOLDING COMPANY ACT OF 1956?

Fleming reads Item VI and the opinion of the Council.

Robertson states that the Council's suggestions have been very helpful.

Fleming urges the members of the Council to continue their study of the Holding Company Act and to send their suggestions to the Board with a copy to the Secretary of the Council.

ITEM VII

THE BOARD WOULD LIKE TO HAVE A FURTHER DISCUSSION OF THE PROBLEM OF "WINDOW DRESSING" BY BANKS FOR PURPOSES OF INFLATING DEPOSITS AND REDUCING FIGURES OF BANK BORROWING AT TIMES OF THE REGULAR REPORTS OF CONDITION.

Fleming reads Item VII and the conclusions of the Council as expressed in the Confidential Memorandum to the Board. He adds he understands that the Comptroller of the Currency has been cooperating with the Board on this matter for some time.

Matkin states that a number of large banks in Texas are inflating their deposits by various techniques. He feels very strongly about this and urges the Board to continue their opposition to the practice. He suggests that if necessary laws ought to be enacted to correct the situation.

Fleming remarks that the Comptroller of the Currency hopes to correct or halt the practice within a year, and intends to accomplish this without the aid of legislation.

Livingston off-the-record comments.

Denton states that some banks in the north central part of the country have corporate accounts which are increased very sharply by transferring and concentrating balances in one bank, in anticipation of the known call dates. He suggests that if average balances were used perhaps this practice would be discontinued.

Balderston suggests that it is preferable if these practices can be corrected without the aid of legislation and asks if the average balance technique would accomplish this.

Livingston states that the practice could be corrected by the supervisory authorities if they charged the management with engaging in unsound banking practice and directed them to discontinue. If the management persisted, Livingston suggests that appropriate letters be sent to the directors of the particular bank involved.

An extended discussion followed.

Fleming asks what are the other forms of "window dressing."

Robertson replies that the "round robin" is the principal type. The Board however does not want to attach too much importance to the matter, since only a few banks are involved. He believes much has been accomplished by merely bringing up the subject. He suggests that industry solve the problem, rather than to leave it to the supervisory authorities. He adds that he is confident the supervisory authorities can put an end to the practice.

Fleming asks if it would be helpful to send an appropriate letter to the state bank conventions.

Robertson doubts this, and furthermore the Board would prefer that the matter not get into the press.

King mentions that he has heard that some banks learned of the last call date before it was announced.

Robertson states that he doesn't believe this could be possible as he and Ray Gidney were the only two who knew the date before it was announced.

Baird states that if the Boards of Directors of the offending banks were apprised of the "window dressing" they would take steps to see that it was stopped.

Robertson replies that this has been done in some instances, but unfortunately it did not have the result suggested. He adds that the wide publicity given the size of various banks has been a factor in stimulating the spread of these practices.

ITEM VIII

THE COUNCIL WOULD LIKE TO KNOW WHAT PROGRESS THE BOARD OF GOVERNORS HAS MADE IN THEIR STUDY OF RESERVE REQUIREMENTS. IN PARTICULAR, THE COUNCIL WOULD LIKE TO KNOW IF THE BOARD HAS COME TO ANY CONCLUSION ON THE RESERVE REQUIREMENT PROPOSAL ADVANCED BY THE ECONOMIC POLICY COMMISSION OF THE ABA.

Fleming reads Item VIII and the opinion of the Council as expressed in the Confidential Memorandum to the Board.

Martin states that the Board welcomes this inquiry from the Council, as it is the Board's intention to keep the Council fully informed. The Board, however, has not come to any conclusions on the matter of reserves, but it is glad to have the ABA's study, which it believes to be useful and worthwhile.

He adds that the Board is dealing with an insidious case of inflation. Consequently under these circumstances any discussion of a possible reduction in reserves is rather academic. He states this despite the fact that he believes present reserve requirements are too high. He reports that the Board, under Governor Mills, is making a historical review and study of the problem of reserves. He assures the Council that they will be taken into the Board's confidence as soon as they arrive at any tentative conclusions. Martin also states that the Board is undertaking a review of the consumer credit study and hopes eventually to take a position on it. It is their intention to do their best to utilize the study and to come to some conclusions.

Mills notes that no mention is made of the discount window in the Council's reply on credit policies and asks if the experience has been satisfactory.

Various members of the Council report informally at this point, stating that the experience at the window has been satisfactory.

Miller, in response to Fleming's suggestion, reports on the posture of the Financial Institutions Bill. He says that he believes there is a good chance that the bill will be reported out of committee.

The meeting adjourned at 12:30 P.M.

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The next meeting of the Council will be September 15-17, 1957.