

November 17, 1957

The fourth statutory meeting of the Federal Advisory Council for 1957 was convened in Room 932 of the Mayflower Hotel, Washington, D.C., on November 17, 1957, at 2:00 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
Gordon Murray	District Bo. 9
R. Crosby Kemper	District No. 10
Walter B. Jacobs	District No. 11
John M. Wallace, Alternate for Frank L. King	District No. 12
Herbert V. Prochnow	Secretary
William J. Korsvik	Assistant Secretary
Absent: Frank L. King	
	District No. 12

On motion duly made and seconded, the mimeographed notes of the meeting held on September 15, 16 and 17, 1957, copies of which had been sent previously to the members of the Council, were approved.

A complete list of the items on the agenda 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 28 and 29.

The meeting adjourned at 6:15 P.M.

HERBERT V. PROCHNOW
Secretary

WILLIAM J. KORSVIK
Assistant Secretary

MINUTES OF THE MEETING OF THE FEDERAL ADVISORY COUNCIL

November 18, 1957

At 10:00 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, Frank R. Denton, Comer J. Kimball, Homer J. Livingston, Lee P. Miller, Gordon Murray, R. Crosby Kemper, Walter B. Jacobs, John M. Wallace, Alternate for Mr. Frank L. King; Messrs. Herbert V. Prochnow, Secretary, and William J. Korsvik, Assistant Secretary.

Absent: Mr. Frank L. King.

Prior to President Fleming's arrival, Vice President Denton submitted the following testimonial which was unanimously adopted by the Federal Advisory Council:

"At its meeting on November 18, 1957, the Federal Advisory Council learned with deep regret that its distinguished President, Robert V. Fleming, had asked the Board of Directors of the Federal Reserve Bank of Richmond not to re-elect him to the Council.

"During his fifteen years of service, the Council has relied heavily on Robert V. Fleming's broad experience and wise counsel. His vision and mature judgment and his extraordinary comprehension of the intricacies of credit, fiscal and monetary policies made him an invaluable member of the Council. His outstanding leadership, keen insight, and great personal charm have won him the sincere admiration, respect and affection of all those who have had the pleasure of serving with him on the Council.

"The Federal Advisory Council will long remember and greatly miss the countless significant contributions of Robert V. Fleming, and in testimony to its high regard for him has ordered this expression of the Council's esteem and appreciation to be spread upon its permanent minutes and a copy of it, suitably illuminated, to be presented to him."

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 28 and 29, listing the agenda items with the conclusions reached by the Council. The *Memorandum* was delivered to the Secretary of the Board of Governors at 12:15 P.M. on November 18, 1957.

The meeting adjourned at 10:45 A.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 NOVEMBER 19, 1957

1. It is suggested that the Council and the Board discuss the provisions of S. 2824 described as a Bill to amend the Employment Act of 1946 to make the stabilization of the cost of living one of the explicit and primary aims of Federal economic policy.

In a free and competitive enterprise system, the reasonable stabilization of the cost of living is one of the most desirable objectives in the promotion of the national welfare. The members of the Council therefore look with favor upon the general intent of the proposed amendment. However, there are some aspects of the amendment involving its administration and implementation which require careful consideration. The Council will be pleased to discuss this item with the Board.

2. What are the views of the Council regarding the business situation during the remainder of this year and approximately the first six months of 1958? The Council's judgment as to the current psychology of the business community and of the general public and of the impact of their psychology on capital expenditures, business inventories, and consumer expenditures will be appreciated.

The members of the Council believe that for the remainder of this year business will decline moderately, except for seasonal influences, and most members believe that this downward trend will probably continue during the first six months of 1958.

In the opinion of the Council, recent international events and the decline of business activity in various sectors of the economy have resulted in some lack of confidence in the business outlook. These developments have altered the attitude of the business community toward capital expenditures and inventories and have effected the buying behavior of consumers.

3. How are current demands for credit shaping up and what is the prospective demand for bank loans during the remainder of this year and during approximately the first half of 1958? What is the explanation for the unusually sharp decline in business loans during October? To what extent might it be attributed to more restrictive lending policies by banks and to what extent to a slackening in borrowing demands by business?

Most members of the Council anticipate some seasonal increase in the demand for bank loans during the remainder of this year, but almost all members believe that the loan demand will decline during approximately the first half of 1958.

The Council finds no completely satisfactory explanation for the unusually sharp decline in business loans during October. This decline was not attributable to more restrictive lending policies by banks, but probably reflects a slackening in borrowing demands by certain sectors of the economy.

4. (a) Is there any concern at bank management levels about the current volume of repossessions in installment financing of new automobiles? (b) For soundness in this type of financing, is undue emphasis being placed on stability of values in the used car market?

(a) Within the experience of the individual members of the Council, there is no concern about the current volume of repossessions in installment financing of new automobiles. (b) In new car financing, for example where terms may run for 36 months, the Council believes there should be growing concern that undue emphasis is being placed on stability of values in the used car market.

5. The Comptroller of the Currency has recently made certain rulings regarding repurchase agreements by banks with dealers in Government securities. Does the Council think that these rulings will interfere with the availability of funds for financing dealers and with the performance of the market for Government securities?

The Council does not believe that the recent rulings of the Comptroller of the Currency regarding repurchase agreements by banks will interfere with the availability of funds for financing dealers and with the performance of the market for Government securities.

6. At its meeting in September, the Council expressed the unanimous view that the degree of credit restraint which the System had maintained in recent months should be continued unchanged for the present. As of November, what are the views of the Council with respect to System credit policies?

In view of the events which have transpired since the Agenda was prepared, the Council would prefer to discuss this item with the Board.

7. Further comments with respect to the Bank Holding Company Act of 1956 will be welcomed by the Board.

Some members of the Council may comment briefly with respect to the Bank Holding Company Act of 1956.

MINUTES OF THE MEETING OF THE FEDERAL ADVISORY COUNCIL

November 18, 1957

At 2:15 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, Frank R. Denton, Comer J. Kimball, Homer J. Livingston, Lee P. Miller, Gordon Murray, R. Crosby Kemper, Walter B. Jacobs, John M. Wallace, Alternate for Mr. Frank L. King, Messrs. Herbert V. Prochnow, Secretary, and William J. Korsvik, Assistant Secretary.

Absent: Mr. Frank L. King.

Dr. Woodlief Thomas, Economic Adviser to the Board of Governors, spoke informally on recent Federal Reserve actions. A confidential staff memorandum, "Recent Economic and Financial Developments In The United States and Abroad," was distributed to each member of the Council.

The meeting adjourned at 3:10 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

November 19, 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., J. L. Robertson and Chas. N. Shepardson; 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, Gordon Murray, R. Crosby Kemper, Walter B. Jacobs, John M. Wallace, Alternate for Mr. Frank L. King; Messrs. Herbert V. Prochnow, Secretary, and William J. Korsvik, Assistant Secretary.

Absent: Mr. Frank L. King.

President Fleming 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 28 and 29 of these minutes.

President Fleming then read the second agenda item and the conclusions of the Council as given in the *Confidential Memorandum* mentioned above. A discussion of this item followed, in which members of the Council and the Board participated.

The third, fourth and fifth items on the agenda, together with the Council's conclusions as noted in the *Confidential Memorandum* previously mentioned, then were read by President Fleming.

The sixth item on the agenda and the conclusions of the Council were then read by President Fleming. An extended discussion followed in which members of the Board and the Council participated.

President Fleming then read the seventh item on the agenda and the Council's reply.

The meeting adjourned at 1:00 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 November 17-19, 1957, at 2:00 P.M. in Room 932 of the Mayflower Hotel, Washington, D.C. All members of the Federal Advisory Council were present, except Mr. King. Mr. John M. Wallace attended as alternate for Mr. King.

The Council approved the Secretary's notes for the meeting of September 15-17, 1957.

Fleming remarks that this will be the last meeting of the Federal Advisory Council that he will attend. He adds that it has been an interesting, stimulating experience, as well as very satisfying. He expresses appreciation to the members of the Council for their cooperation and helpfulness. He adds that John S. Alfriend, Chairman and President of the National Bank of Commerce, Norfolk, Virginia, will represent the Fifth district on the Federal Advisory Council next year.

ITEM I

IT IS SUGGESTED THAT THE COUNCIL AND THE BOARD DISCUSS THE PROVISIONS OF S. 2824 DESCRIBED AS A BILL TO AMEND THE EMPLOYMENT ACT OF 1946 TO MAKE THE STABILIZATION OF THE COST OF LIVING ONE OF THE EXPLICIT AND PRIMARY AIMS OF FEDERAL ECONOMIC POLICY.

Fleming reads Item I and adds that he believes the Board would favor the enactment of this legislation.

Livingston states that he believes the principle expressed in the bill is desirable. He would prefer that the Council not approve the amendment, but instead suggest that the bill receive further study. Livingston feels that the enactment of the bill might eventually lead to a restoration of direct control on wages and prices, although he realizes this is not Senator Bush's intention.

Denton agrees with the idea that some de-emphasis of the full employment aspect of the Act is desirable.

Massie believes that the idea of stabilization of the cost of living is buried in the maximum purchasing power mandate mentioned in the preamble of the Employment Act. Massie shares Livingston's concern about possible controls on wages and prices, should the amendment be adopted.

Livingston states that we should support Senator Bush but that the amendment requires careful study.

Fleming says that this idea might be expressed in the Council's reply.

ITEM II

WHAT ARE THE VIEWS OF THE COUNCIL REGARDING THE BUSINESS SITUATION DURING THE REMAINDER OF THIS YEAR AND APPROXIMATELY THE FIRST SIX MONTHS OF 1958? THE COUNCIL'S JUDGMENT AS TO THE CURRENT PSYCHOLOGY OF THE BUSINESS COMMUNITY AND OF THE GENERAL PUBLIC AND OF THE IMPACT OF THEIR PSYCHOLOGY ON CAPITAL EXPENDITURES, BUSINESS INVENTORIES, AND CONSUMER EXPENDITURES WILL BE APPRECIATED.

Fleming reads Item II and asks individual members of the Council to comment on the first question.

Brace states that business in District I is being maintained on a relatively good level. However, there is an underlying feeling that some downward trend will take place in the first six months of 1958. He cites the decline in machine tool orders and the low level of textile and textile machine operations. The shoe business has been reasonably satisfactory. He reports a pickup in construction but foresees a decline in foreign trade demand, which he believes will have a greater than usual impact on business. Brace sees a creeping recession in the months ahead.

Massie states that manufacturing employment has declined because of military cutbacks. The apparel and textile business also is off. Manufacturing employment is down, while employment in retail and service establishments is at a high level. Construction is a plus factor in the district as a result of activity in the St. Lawrence Seaway area, office building in New York City and the highway program throughout the State. He reports that personal income is rising; retail trade slipped in September and October but is doing a little better this month. The rise in savings deposits has tended to level off. He believes business through the end of the year should be strong. However, there are signs of a loss of confidence and as a result he believes business will be off slightly through the first half of next year.

Mitchell states conditions in his district are not greatly different. Business is at a relatively high level. Business sentiment, however, has deteriorated. He cites the following factors as contributing to the situation: (1) the decline in the backlogs of manufacturing industries, (2) the drop in common stock prices, and (3) the absence of a fall pickup in business. Although business activity seems to be fairly high, businessmen are pessimistic. Residential construction awards rose in September and are higher than last year. Except for the public utilities, Mitchell believes there will be some postponement of industrial construction. Automobile registrations in September were 12 per cent higher than a year ago. Inventories are somewhat high and Mitchell expects some reduction in the months ahead. Agriculture in the district is having trouble. Average hours of work are off from a year ago and payrolls are down slightly. Altoona, Scranton, and Wilkes-Barre report surplus labor conditions. Personal income is down slightly but considerably above last year. He believes the present level of business will be maintained for the balance of the year. It may move down somewhat after that but not seriously.

Denton states that business in his district is down. He cites conversations with major companies in his area and almost without exception they reported reduced operations. Incoming orders have fallen and business is not good. The glass industry is the one notable exception in his district. The expansion programs of larger companies has slowed. Housing starts have risen slightly. Unemployment is up, especially in the towns and communities dominated by one industry or plant. He looks for no improvement until spring or perhaps as late as next fall. He believes the acceptance of the new automobiles will be a major factor.

Fleming states that business in the Fifth district is not particularly good. The textile industry is down. Coal is the one bright spot. The construction industry presents a mixed picture with non-residential awards up substantially, while residential awards are down; the overall picture, however, shows a 5 per cent increase. Automobile registrations are unsatisfactory. Demand deposits are increasing but less than seasonal. The demand for loans is strong. Fleming expects no improvement until after the first of the year. Fleming comments off-the-record on the meeting of the Business Advisory Council.

Kimball reports that excessive rains and adverse weather have affected the cash crops and that as a consequence, the farmers in the district are having some difficulty in paying their loans. Livestock sales have been good and have tended to offset the decline. The steel industry and fabricators in Alabama are operating below the national average. Non-farm income has changed little in the recent months and is above last year. Non-manufacturing employment is up and has offset the decline in manufacturing. Lumber and textile industries are picking up. Cotton crops has been reduced because of bad weather. Construction in the district is running better than the national average. He reports of a survey of home builders in six major cities in the district which indicated an increase in residential construction. Department store sales have moderated in recent weeks. He believes the strong upward trend which has characterized business will continue for the balance of the year but at a somewhat slower pace.

Livingston states that employment in the Seventh district is strong but less so than in the recent past. Retail sales have turned down recently. He does not expect Christmas sales to be quite as good as he previously had suggested. Steel production in the district is better than the national average. He states that some increase in sheet steel orders have been received from the automobile companies. Carloadings have fallen. Construction is at a high level. The agricultural situation is good. The packers, however, are having their problems, as is usual, when prices are high. He believes that the level of business in the first half of 1958 will be below the last six months of 1957.

Miller reports that business is down. Unemployment is above the national average. Retail sales have eased off slightly. The tobacco crop looks good. Housing starts have risen. Miller believes the recent reduction in the discount rate eventually will permit state governments and municipalities to market securities and that this will have a stimulating effect on the construction industry. He reports that automobile sales have been good. Miller anticipates some decline in business in the first six months of 1958.

Murray. Business in the district is above a year ago and he believes it will continue for the balance of the year. Retail sales are off slightly. Industrial construction is likely to decline next year. Housing starts have started to move up. He expects this trend to continue as vacancies have declined. Commercial building is down. The lumber and copper industries have reduced operations. Farm income is higher than last year, although recent bad weather has affected the harvesting of a part of the soy-bean crop. Employment is up, but turnover appears to have been reduced. He has the impression that the public is "just looking" at the new model automobiles, but that the 1957 cars have moved, probably because of the higher price on the new models. He believes business in the district will decline after the first of the year but not as much as the nation as a whole.

Kemper reports that business is fearful over developments which have narrowed corporate profits. Carloadings are off. He expects business to decline through the end of the year and through 1958. Kemper believes the drop in the stock market has been a factor. He doubts that auto sales will be as good in 1958 as in 1957, because of the

rise in prices. He expresses concern over the automobile companies which are forming finance subsidiaries. He anticipates that business generally will be off considerably in the first half of 1958. Business in the district, however, is better than the national average because of the tremendous crops which have resulted from good rains. Cattle and hog prices are good. Ranchers are keeping calves and restocking herds. Construction awards for the first nine months of the year are up 4 per cent. Retail trade has declined, particularly durable goods. However, he expects retail sales to be good in the district because of the rise in farm income. Kemper adds that he expects business in the district to be better than the national average.

Jacobs reports an increase in new car registrations in his district. Crude oil production is down. Employment has expanded. The construction industry is strong and total awards are above last year. As a result the lumber industry has picked up. He anticipates, however, that 30 per cent of the cotton crop in the district has been lost because adverse weather conditions have prevented its harvest. Livestock cash marketings are up over 20 per cent. The demand for credit is stronger than last year. He expects business for the remainder of the year to be good but that it may move down after the first of the year. He believes confidence has been shaken and has deteriorated more than warranted by economic conditions.

Wallace states that conditions in the Twelfth district are similar to those described above. He looks for a decline to continue well into the spring. By that time he anticipates that military expenditures as well as those for other public works will stimulate business. Wallace believes that businessmen are concerned with the decline in net profits, which has occurred, despite an increase in the volume of business. Business loans have declined. He describes business and consumers as having a "wait and have a look" attitude. He believes that business may decline in the period ahead but that by spring the impact of local, state and federal projects will have a substantial affect on business.

Fleming suggests that the Council state that it believes business will decline for the remainder of the year and that the downward trend will probably continue into the first half of 1958.

At this point there was a brief discussion on the current psychology of business and the general public. It was decided to suggest that the lack of confidence has altered the attitude of business toward capital expenditures and inventories and has affected the buying behavior of consumers.

ITEM III

HOW ARE CURRENT DEMANDS FOR CREDIT SHAPING UP AND WHAT IS THE PROSPECTIVE DEMAND FOR BANK LOANS DURING THE REMAINDER OF THIS YEAR AND DURING APPROXIMATELY THE FIRST HALF OF 1958? WHAT IS THE EXPLANATION FOR THE UNUSUALLY SHARP DECLINE IN BUSINESS LOANS DURING OCTOBER? TO WHAT EXTENT MIGHT IT BE ATTRIBUTED TO MORE RESTRICTIVE LENDING POLICIES BY BANKS AND TO WHAT EXTENT TO A SLACKENING IN BORROWING DEMANDS BY BUSINESS?

Fleming reads Item III.

Brace expects loan demand to be maintained at its present high level. He reports that no decline in loans occurred in the First district and currently loans are close to peak levels.

Massie does not believe loan volume will change significantly from now until the end of the year. He reports that the New York banks are fully loaned up. He suggests that if business activity declines, with the consequent accumulation of inventories and possibly receivables, that loans to business after the first of the year will continue in large volume.

Mitchell reports that they experienced a decline in October but that he expects the loan volume to increase before the end of the year.

Denton expects loans to go up by the end of the year but that they will decline thereafter.

Fleming expects a decline in loans in the first half of 1958.

Kimball reports a faltering demand for bank loans.

Livingston expects loans to decline after the first of the year.

Miller reports that loans are at an all-time high in his district.

Murray states that the normal seasonal liquidation of loans has been sharper than usual. He expects demand to pick up in the weeks ahead, but to slide off after the first of the year.

Kemper. Loans are off slightly.

Wallace. Loans have declined. He expects loan volume in the first six months of 1958 to be down.

Fleming looks for the Administration to recommend higher defense expenditures and the deferment of other government services. He suggests that Congress will be reluctant to vote a tax increase in an election year. The Council may state that most members anticipate some seasonal increase in the demand for bank loans during the remainder of the year, and that almost all members believe that demand will decline in the first six months of 1958.

After a brief discussion, the Council concluded that they could find no completely satisfactory explanation for the unusually sharp decline in business loans during October. In the Council's opinion the decline was not attributable to more restrictive lending policy by banks but probably reflects a slackening in borrowing demands by certain segments of business.

ITEM IV

(a) IS THERE ANY CONCERN AT BANK MANAGEMENT LEVELS ABOUT THE CURRENT VOLUME OF REPOSSESSIONS IN INSTALLMENT FINANCING OF NEW AUTOMOBILES?

(b) FOR SOUNDNESS IN THIS TYPE OF FINANCING, IS UNDUE EMPHASIS BEING PLACED ON STABILITY OF VALUES IN THE USED CAR MARKET?

A brief discussion followed in which the members reported no concern about the current volume of repossessions, but that there should be some concern about the emphasis being placed on stability of values in the used car market.

ITEM V

THE COMPTROLLER OF THE CURRENCY HAS RECENTLY MADE CERTAIN RULINGS REGARDING REPURCHASE AGREEMENTS BY BANKS WITH DEALERS IN GOVERNMENT SECURITIES. DOES THE COUNCIL THINK THAT THESE RULINGS WILL INTERFERE WITH THE AVAILABILITY OF FUNDS FOR FINANCING DEALERS AND WITH THE PERFORMANCE OF THE MARKET FOR GOVERNMENT SECURITIES?

Fleming reads Item V.

After a brief discussion, it was agreed that the new rulings by the Comptroller of the Currency do not interfere with the availability of funds for financing dealers or with the performance of the market for government securities.

ITEM VI

AT ITS MEETING IN SEPTEMBER, THE COUNCIL EXPRESSED THE UNANIMOUS VIEW THAT THE DEGREE OF CREDIT RESTRAINT WHICH THE SYSTEM HAD MAINTAINED IN RECENT MONTHS SHOULD BE CONTINUED UNCHANGED FOR THE PRESENT. AS OF NOVEMBER, WHAT ARE THE VIEWS OF THE COUNCIL WITH RESPECT TO SYSTEM CREDIT POLICIES?

Fleming reads Item VI which was followed by off-the-record comments on the recent increase in the rediscount rate.

It was subsequently concluded that the Council state that it would prefer to discuss this item with the Board rather than attempt to frame an answer.

ITEM VII

FURTHER COMMENTS WITH RESPECT TO THE BANK HOLDING COMPANY ACT OF 1956 WILL BE WELCOMED BY THE BOARD.

Fleming reads Item VII.

Murray states that he has heard reports that legislation will be introduced which would amend the Bank Holding Company Act. The proposed bill would require that subsequent acquisitions of banks would require the approval of state authorities rather than the Federal Reserve.

Fleming asks Murray to mention this information to the Board at the forthcoming meeting.

The meeting adjourned at 6:15 P.M.

THE COUNCIL RECONVENED AT 10:00 A.M. ON NOVEMBER 18, 1957, IN ROOM 932 OF THE MAYFLOWER HOTEL, WASHINGTON, D.C.. ALL MEMBERS OF THE FEDERAL ADVISORY COUNCIL WERE PRESENT EXCEPT MR. KING. MR. JOHN M. WALLACE ATTENDED AS AN ALTERNATE FOR MR. KING.

Prior to President Fleming's arrival, Vice President Denton submitted the following testimonial which was unanimously adopted by the Federal Advisory Council:

"At its meeting on November 18, 1957, the Federal Advisory Council learned with deep regret that its distinguished President, Robert V. Fleming, had asked the Board of Directors of the Federal Reserve Bank of Richmond not to reelect him to the Council.

"During his fifteen years of service, the Council has relied heavily on Robert V. Fleming's broad experience and wise counsel. His vision and mature judgment and his extraordinary comprehension of the intricacies of credit, fiscal and monetary policies made him an invaluable member of the Council. His outstanding leadership, keen insight, and great personal charm have won him the sincere admiration, respect and affection of all those who have had the pleasure of serving with him on the Council.

"The Federal Advisory Council will long remember and greatly miss the countless significant contributions of Robert V. Fleming, and in testimony to its high regard for him has ordered this expression of the Council's esteem and appreciation to be spread upon its permanent minutes and a copy of it, suitably illuminated, to be presented to him".

The Council prepared and approved 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 November 19, 1957. The Memorandum was delivered to Mr. Carpenter, Secretary of the Board of Governors at 12:15 P.M. on November 18, 1957. It will be noted that each item of the Agenda is listed together with the comments of the Council.

The meeting adjourned at 10:45 A.M.

CONFIDENTIAL

MEMORANDUM TO THE BOARD OF GOVERNORS
FROM THE
FEDERAL ADVISORY COUNCIL
RELATIVE TO THE AGENDA FOR THE JOINT MEETING
ON NOVEMBER 19, 1957

1. It is suggested that the Council and the Board discuss the provisions of S. 2824 described as a Bill to amend the Employment Act of 1946 to make the stabilization of the cost of living one of the explicit and primary aims of Federal economic policy.

In a free and competitive enterprise system, the reasonable stabilization of the cost of living is one of the most desirable objectives in the promotion of the national welfare. The members of the Council therefore look with favor upon the general intent of the proposed amendment. However, there are some aspects of the amendment involving its administration and implementation which require careful consideration. The Council will be pleased to discuss this item with the Board.

2. What are the views of the Council regarding the business situation during the remainder of this year and approximately the first six months of 1958? The Council's judgment as to the current psychology of the business community and of the general public and of the impact of their psychology on capital expenditures, business inventories, and consumer expenditures will be appreciated.

The members of the Council believe that for the remainder of this year business will decline moderately, except for seasonal influences, and most members believe that this downward trend will probably continue during the first six months of 1958.

In the opinion of the Council, recent international events and the decline of business activity in various sectors of the economy have resulted in some lack of confidence in the business outlook. These developments have altered the attitude of the business community toward capital expenditures and inventories and have effected the buying behavior of consumers.

3. How are current demands for credit shaping up and what is the prospective demand for bank loans during the remainder of this year and during approximately the first half of 1958? What is the explanation for the unusually sharp decline in business loans during October? To what extent might it be attributed to more restrictive lending policies by banks and to what extent to a slackening in borrowing demands by business?

Most members of the Council anticipate some seasonal increase in the demand for bank loans during the remainder of this year, but almost all members believe that the loan demand will decline during approximately the first half of 1958.

The Council finds no completely satisfactory explanation for the unusually sharp decline in business loans during October. This decline was not attributable to more restrictive lending policies by banks, but probably reflects a slackening in borrowing demands by certain sectors of the economy.

4. (a) Is there any concern at bank management levels about the current volume of repossessions in instalment financing of new automobiles? (b) For soundness in this type of financing, is undue emphasis being placed on stability of values in the used car market?

(a) Within the experience of the individual members of the Council, there is no concern about the current volume of repossessions in instalment financing of new automobiles. (b) In new car financing, for example where terms may run for 36 months, the Council believes there should be growing concern that undue emphasis is being placed on stability of values in the used car market.

5. The Comptroller of the Currency has recently made certain rulings regarding repurchase agreements by banks with dealers in Government securities. Does the Council think that these rulings will interfere with the availability of funds for financing dealers and with the performance of the market for Government securities?

The Council does not believe that the recent rulings of the Comptroller of the Currency regarding repurchase agreements by banks will interfere with the availability of funds for financing dealers and with the performance of the market for Government securities.

6. At its meeting in September, the Council expressed the unanimous view that the degree of credit restraint which the System had maintained in recent months should be continued unchanged for the present. As of November, what are the views of the Council with respect to System credit policies?

In view of the events which have transpired since the Agenda was prepared, the Council would prefer to discuss this Item with the Board.

7. Further comments with respect to the Bank Holding Company Act of 1956 will be welcomed by the Board.

Some members of the Council may comment briefly with respect to the Bank Holding Company Act of 1956.

THE COUNCIL CONVENED IN THE BOARD ROOM OF THE FEDERAL RESERVE BUILDING, WASHINGTON, D.C., AT 2:15 P.M. ON NOVEMBER 18, 1957. ALL MEMBERS OF THE COUNCIL WERE PRESENT EXCEPT MR. KING. MR. JOHN M. WALLACE ATTENDED AS AN ALTERNATE FOR MR. KING.

Dr. Woodlief Thomas, Economic Advisor to the Board of Governors, spoke informally to the Council giving the background of the recent reduction in the Federal Reserve rediscount rate.

A confidential staff memorandum, "Recent Economic and Financial Developments in the United States and Abroad", subsequently was distributed to each member of the Council.

The meeting adjourned at 3:10 P.M.

THE COUNCIL CONVENED IN THE BOARD ROOM OF THE FEDERAL RESERVE BUILDING AT 10:10 A.M. ON NOVEMBER 19, 1957. ALL MEMBERS WERE PRESENT EXCEPT MR. KING. MR. JOHN M. WALLACE ATTENDED AS AN ALTERNATE FOR MR. KING.

Fleming. A suggestion has been made that a certificate and key be handed to members of the Federal Advisory Council upon completion of their terms.

After a brief discussion the suggestion was adopted. Messrs. Denton, Livingston and Prochnow were named a Committee by the President of the Council to consider the suggestion and to report back to the Council.

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AT 10:30 A.M. THE FOLLOWING MEMBERS OF THE BOARD OF GOVERNORS JOINED THE MEETING: CHAIRMAN MARTIN, VICE CHAIRMAN BALDERSTON, GOVERNORS VARDAMAN, SHEPARDSON AND ROBERTSON. MESSRS. CARPENTER, SECRETARY, AND SHERMAN, ASSISTANT SECRETARY, WERE ALSO PRESENT.

ITEM I

IT IS SUGGESTED THAT THE COUNCIL AND THE BOARD DISCUSS THE PROVISIONS OF S. 2824 DESCRIBED AS A BILL TO AMEND THE EMPLOYMENT ACT OF 1946 TO MAKE THE STABILIZATION OF THE COST OF LIVING ONE OF THE EXPLICIT AND PRIMARY AIMS OF FEDERAL ECONOMIC POLICY.

Fleming reads Item I and the conclusions of the Council as expressed in the attached Confidential Memorandum to the Board. He asks Chairman Martin if he wishes to comment.

Martin states that the preamble to the Employment Act is susceptible to any interpretation you wish to give it. He adds that during his testimony before Congress last summer, he pointed up that "maximum employment, maximum production, and maximum purchasing power", which are included in the preamble of the Act, would include stabilization of the cost of living. Martin states that sustained growth cannot be had by means of inflation. He adds that the System is dealing with a process including possible inflation or deflation and that he believes the preamble gives as much latitude to the solution of these difficult problems as is necessary. The Board has not wanted to write into a law any such mandate as suggested by the Bush amendment. He believes it was sufficient merely to point up to Congress, as was done last summer, that the stabilization of the cost of living is within the purview of the Act.

Livingston points out that the Employment Act was written at a time when everyone feared a sharp rise in unemployment. He applauds the intent of Senator Bush's amendment but doubts that it is possible to amend the law appropriately.

Denton would be interested in having more emphasis placed on the stabilization of the cost of living. He also questions the difficulty of putting the intent into language.

Balderston. If it were possible to put the amendment into language and to have it enacted, would the Council have concern that stabilization might, under some circumstances, imply price support programs?

Vardaman states that this aspect of the law was discussed for many weeks and that one of the best brains ever to sit in the Senate, namely the late Senator Taft, struggled with the writing of the law. The language of the Act is essentially his. Vardaman believes it would be dangerous to tamper with the Act at this point. He adds that Chairman Martin enjoys a unique position in government today, in that his opinion is sought and respected, though not always agreed with, by everyone. Vardaman warns that if the Chairman is forced to testify on the proposed bill, it would require that he take sides and that this would have unfavorable consequences. Vardaman is of the opinion that the amendment should be permitted to die in committee.

Denton states that it has been very informative to the Council to have had this discussion with the Board.

Vardaman adds that he believes Congress should be discouraged from writing specific mandates into statutes.

ITEM II

WHAT ARE THE VIEWS OF THE COUNCIL REGARDING THE BUSINESS SITUATION DURING THE REMAINDER OF THIS YEAR AND APPROXIMATELY THE FIRST SIX MONTHS OF 1958? THE COUNCIL'S JUDGMENT AS TO THE CURRENT PSYCHOLOGY OF THE BUSINESS COMMUNITY AND OF THE GENERAL PUBLIC AND OF THE IMPACT OF THEIR PSYCHOLOGY ON CAPITAL EXPENDITURES, BUSINESS INVENTORIES, AND CONSUMER EXPENDITURES WILL BE APPRECIATED.

Fleming reads Item II and the conclusions of the Council as expressed in the attached Confidential Memorandum to the Board. He asks the members of the Council to comment.

Brace. The economy has shown a noticeable slide in recent weeks. He believes the present level will be maintained until the end of the year, but that the downward trend will continue into 1958. The backlog of manufacturers' orders is being reduced and some reduction in employment is expected. The supply of money appears to be adequate. Housing and the shoe and leather industries appear to be the bright spots in the district. He anticipates no precipitous drop in business. He attributes the decline to a lack of confidence and to some unemployment. He is not alarmed about the outlook nor is he encouraged.

Massie states some slackening in business has been evident since September, and that the usual fall pickup has not materialized. Employment has declined, especially in the defense industries. Construction activity is high as the result of office building projects, the St. Lawrence Seaway development and public works. Retail trade declined in September and October, though it has picked up in recent weeks. It is not possible to know if the increase will continue. Massie reports that the stock market, Sputnik and government attitudes toward the payment on defense contracts were disturbing factors. He believes business will be reasonably good to the end of the year, though Christmas trade may be off somewhat. He anticipates some decline in business after the first of the year. Optimism in the business community was fairly high through August and September but has turned negative recently. He believes business is following a wait-and-see attitude and currently is attempting to evaluate the effect of the change in the discount rate. The demand for bank credit seems to have lessened somewhat. Many people feel the bond market is not likely to go lower. He suggests that the decline in the discount rate may stimulate the flotation of additional capital issues with a consequent lessening in demand for bank credit.

Mitchell reports that business has been declining since September. He attributes the deterioration in business sentiment to (1) the failure of business to rise

seasonally, (2) the drop in stock market prices, and (3) the decline in manufacturers' new orders. Residential construction turned up in September, although surveys indicate that spending by manufacturers for new construction in the Third district is likely to decline about 15 per cent. Spending for construction by State and local governments, as well as by utilities, is likely to be maintained. Department store sales are off slightly. Carloadings have dropped sharply. Agriculture in the district has been adversely affected by the lack of rain. Unemployment is up. Retail prices have been rising, while wholesale prices have held steady. Personal income is off. Mitchell expects business to continue at its present level for the remainder of the year except for seasonal increases. He believes business in the first half of the year will be moderately lower.

Denton reports his conversations with businessmen in his district. Steel is operating below capacity levels. The backlog of orders of the alloy metal manufacturers has dropped. Aluminum capacity is in excess of current demand, though the industry is optimistic about new product demands. The chemical industry also is operating below capacity and the manufacturers of electrical equipment report a reduction in demand. The oil industry has excessive inventories. The glass industry, on the other hand, reports an increase in demand. Retail trade has declined contra-seasonally. Denton reports substantial unemployment, especially in small mill towns where one factory or plant dominates the community. This, however, has not resulted in an increase in delinquencies on personal loans. He attributes the deterioration in the attitude of businessmen to the fact that the fourth quarter has not shown the increase that was anticipated. This has caused business to "stretch out" the construction of plants. Denton suggests that business would be helped by an increase in auto sales in the spring.

Fleming reports that the textile industry in the district is depressed but that the output of bituminous coal has risen. He reports that the cotton crop will be one-third less than last year. Retail trade is down fractionally. Fleming expects business in the first half of 1958 to decline below current high levels.

Kimball reports that adverse weather has affected agriculture and the cash income of farmers in the Sixth district. There is comparatively little change in unemployment. Although steel mills in the district are running below the national average, construction, both residential and non-residential, is above nationwide percentages. Housing starts in the current quarter are expected to be 10 per cent above the comparable quarter last year. He expects business in the district to falter in the period ahead and in the first half of next year. He is encouraged, however, by the rise in cotton consumption.

Livingston states that business currently is not quite as good as it was in September and that retail sales will not reach the levels that were anticipated some weeks ago. Off-the-record comments on retail sales. Livingston believes job insecurity has contributed to the decline in consumer buying. Carloadings have declined, while residential construction, on the other hand, has turned up. The agricultural situation is satisfactory, influenced in part by \$19 hog and \$25 cattle prices. As is usual during the period of high prices, the packing industry is doing poorly. He believes the acceptance of the new model automobiles will be an important indicator of the future of business. Livingston states we are in the midst of a mild business recession but that its depth and duration are unpredictable.

Miller reports an increase in unemployment. Retail sales have declined. Although the tobacco crop is larger than last year, the price outlook is unclear. Loans are at peak levels and instalment credit is holding up well. He reports an increase in savings. He expects business will continue about at its present level

with some down trend possible next year. State and local expenditures are likely to rise which will aid the construction industry. Housing starts have turned up.

Murray reports that business in the district is holding better than in the nation as a whole largely because of the rise in agricultural income. The cash income of farmers is up 4 per cent. Retail sales have held up well. Last year's model automobiles are moving, probably as a result of lower prices. Employment is up slightly as is unemployment because of the increase in the labor force. Residential construction was running below a year ago but in September began to rise. Commercial and industrial building is likely to decline next year. He reports some change in attitude in the last few weeks largely as a result of the cuts in employment announced by large corporations. Labor turnover seems to have been reduced. The seasonal liquidation of loans which usually occurs in October in his district was larger than usual. He believes business will continue at its present level for the balance of the year but that some decline may occur during the first six months of 1958. He anticipates that the decline will be somewhat less than the national average because of agricultural income.

Kemper reports that business in his district probably is better than the national average because of the rise in agricultural income. Fall crops have been excellent and there is ample fall pasture. Cattle prices have been high and ranchers have been holding the calf crop and rebuilding herds. As a result, the agricultural outlook is excellent. The oil industry, on the other hand, is in distress. Loans reached a peak in August. Construction is running above last year. Employment is up slightly. Kemper states that the overall picture is not encouraging but that the district is better off than other areas because of the agricultural situation. He reports some evidence of price resistance on the retail level.

Jacobs reports a decline in department store sales in September and October but that inventories are in good balance. The sale of new model automobiles is doing fairly well. The sale of '57 models is good and probably is the result of availability and price reductions. Manufacturing has declined somewhat. Construction activity has risen and as a consequence the lumber industry has improved. Agriculture is in some difficulty because rains delayed plantings and this was subsequently followed by an early freeze. Recent heavy rains have adversely affected the cotton crop and delayed its harvest. Livestock prices are good. The demand for bank credit continues strong. Jacobs believes that confidence has deteriorated faster than economic conditions warrant.

Wallace reports that the impact in the Twelfth district of a change in business, such as a recession, usually is delayed. In the current situation the reverse has been true and industry on the west coast -- lumber, air frame, electronics and oil -- has been experiencing difficulties for some time. The metal producing states also have had their problems. These developments in the aggregate have affected public attitudes and buying. Wallace suggests that perhaps in this instance the Twelfth district may experience an earlier improvement in economic conditions. As one factor, he cites the possible decline in the cost of money which may stimulate State and local financing and subsequent public works projects. He anticipates an improvement before the middle of the year.

Shepardson asks if the members of the Council have any apprehension that the restocking of herds is increasing too rapidly.

Jacobs reports that he has not heard of any.

Kemper states that he has heard some apprehension expressed on this development.

ITEM III

HOW ARE CURRENT DEMANDS FOR CREDIT SHAPING UP AND WHAT IS THE PROSPECTIVE DEMAND FOR BANK LOANS DURING THE REMAINDER OF THIS YEAR AND DURING APPROXIMATELY THE FIRST HALF OF 1958? WHAT IS THE EXPLANATION FOR THE UNUSUALLY SHARP DECLINE IN BUSINESS LOANS DURING OCTOBER? TO WHAT EXTENT MIGHT IT BE ATTRIBUTED TO MORE RESTRICTIVE LENDING POLICIES BY BANKS AND TO WHAT EXTENT TO A SLACKENING IN BORROWING DEMANDS BY BUSINESS?

Fleming reads Item III and the conclusions of the Council.

Denton comments on the national figures and mentions that he and his associates studied them carefully but were not able to explain the October decline.

ITEM IV

(a) IS THERE ANY CONCERN AT BANK MANAGEMENT LEVELS ABOUT THE CURRENT VOLUME OF REPOSSESSIONS IN INSTALMENT FINANCING OF NEW AUTOMOBILES? (b) FOR SOUNDNESS IN THIS TYPE OF FINANCING, IS UNDUE EMPHASIS BEING PLACED ON STABILITY OF VALUES IN THE USED CAR MARKET?

Fleming reads Item IV and the conclusions of the Council.

Mitchell reports that in his district, the efforts to reduce terms to 30 months have been unsuccessful and that 56 per cent of automobile paper in the banks have a maturity of 36 months. He believes that used car prices will be maintained because of (1) higher price tags on new car models, (2) the growth of multi-car families, and (3) the continued growth of the suburbs where automobiles are relatively essential. There has been a slight increase in delinquencies but relatively no increase in repossessions.

Shepardson asks if there has been any stretch out of terms to 42 months.

Livingston. Very few instances.

Balderston asks if there are other sectors of the economy that bear watching. Does the Council believe that there is any misallocation of capital? For example, have shopping centers or office building construction attracted too large a share of capital funds?

Fleming replies that in Washington the construction of new office buildings has permitted temporary structures to be abandoned.

Massie believes the new buildings in New York will be rented. Off-the-record comments on the Astor building. Massie concludes that the construction of new office buildings will eventually put pressure on old buildings when current leases run out because of air conditioning and other conveniences in the new buildings.

Kemper expresses concern about the formation of credit corporations. He believes the chief reason for their organization is to avoid the policing of terms by banks and that some deterioration in terms may result.

Massie mentions that rental and lease payments are not given enough consideration by loan officers.

Denton comments at length on such payments. The liability a corporation has to make such payments is not apparent from the balance sheet. He adds that he is familiar with some corporations where if such rental or lease payments were capitalized, the resulting figure would exceed their present debt. If these facts were well known, it would have an obvious depressing effect on the value of the stock. The condition is the result of an effort on the part of corporations not to show debt on their balance sheets.

Livingston notes that if money becomes easier, that the demand for credit for the construction of shopping centers will be stepped up considerably.

Denton adds that anything the Board can do to induce corporations to capitalize sale and leaseback arrangements so they appear on balance sheets will be helpful.

Vardaman asks if the banks could not do the job by requiring them to be shown on the annual statements that are submitted by borrowing customers.

Denton replies that competition between banks tends to make this difficult.

ITEM V

THE COMPTROLLER OF THE CURRENCY HAS RECENTLY MADE CERTAIN RULINGS REGARDING REPURCHASE AGREEMENTS BY BANKS WITH DEALERS IN GOVERNMENT SECURITIES. DOES THE COUNCIL THINK THAT THESE RULINGS WILL INTERFERE WITH THE AVAILABILITY OF FUNDS FOR FINANCING DEALERS AND WITH THE PERFORMANCE OF THE MARKET FOR GOVERNMENT SECURITIES?

Fleming reads Item V and the conclusions of the Council as expressed in the attached Confidential Memorandum to the Board.

Massie adds that the new regulations are a kind of a nuisance but that he does not believe they will have any affect on the availability of funds for financing dealers or interfere with the performance of the security market.

Livingston agrees and adds that it may be an inconvenience to the smaller banks who used repurchase agreements to invest balances that were temporarily idle.

Kimball mentions that it is an inconvenience. He also notes that by classifying as a loan, government securities held under repurchase agreements, may tend to distort the facts. In such a situation, bank loans are overstated, while its holdings of government securities appear to be understated.

ITEM VI

AT ITS MEETING IN SEPTEMBER, THE COUNCIL EXPRESSED THE UNANIMOUS VIEW THAT THE DEGREE OF CREDIT RESTRAINT WHICH THE SYSTEM HAD MAINTAINED IN RECENT MONTHS SHOULD BE CONTINUED UNCHANGED FOR THE PRESENT. AS OF NOVEMBER, WHAT ARE THE VIEWS OF THE COUNCIL WITH RESPECT TO SYSTEM CREDIT POLICIES?

Fleming reads Item VI and the conclusions of the Council. He adds that the recent action by the Federal Reserve might conceivably make money tighter, as it may create the impression in the minds of the public that money is easier and thus stimulate demand.

Martin replies that policies are not made in an hour or a day, and that this is a kind of moving picture. This is the advantage, he adds, of a flexible program. He asks the members of the Council to comment frankly and sincerely on the recent action of the Fed. In particular, he asks the members of the Council to comment on the following three points: (1) Was some adjustment in policy in order? (2) How should it have been done? (3) Has the Board made a mistake?

Fleming replies that he does not believe the Board made a mistake but he believes that it must be followed by a temperate increase in funds.

Denton believes that the business picture had changed sufficiently so that the time had come to ease credit. He adds that he came to this Council meeting prepared to suggest a lower negative reserve figure. He adds that the rediscount rate had a psychological effect which he does not believe was good. He confesses that he was surprised that the Fed would change the rate. He believes it is now essential to reduce the negative reserve figure.

Livingston states that he believes his view would be in the minority for he would have urged the same degree of restraint. Money is tight in the district and borrowings at the Federal Reserve are at high levels. Although he realizes business sentiment has changed, he would have preferred to have had more evidence of the depth of the decline and some indication that the rise in the cost of living was leveling off. As a consequence, he would have urged no change in Fed policy.

Mitchell states that he feels the same way. He would have urged a continuance of the same degree of restraint in an effort to maintain the stability of the dollar.

Jacobs agrees.

Miller states that bankers were surprised at the Fed's action. He believes that the change in the rate had a bad psychological and political effect. He fails to see what was accomplished by the change unless reserves are put in the market. He, however, does not believe the degree of restraint should have been lessened.

Fleming states he favored some moderate easing of the reserve situation.

Kemper would have favored open market operations rather than a change in the rediscount rate.

Murray states that since money was tight and borrowings high, that the change in the rediscount rate came as a surprise.

Massie notes that three problems are involved. (1) Public relations, (2) the supply of money and (3) the psychological attitude of the community. Since it is agreed that the attitude of business and consumers had changed, open market operations would have had no effect on this and therefore it was appropriate for the Fed to make some kind of an announcement or disclosure of a change in policy. He adds further that the diminution of velocity as a result of the change in business psychology will require reserves, whereas the possibility of deficit spending suggests the opposite action.

Brace states that it will be necessary to increase reserves if a change in policy is to be implemented. It occurs, however, at an inopportune time for the Fed usually puts funds into the market in December. He is concerned that the Fed's action may not have enough effect on business.

Wallace considers the change in the rate as a disclosure of a change in policy.

Kimball approves of the action of the Fed as he believes recessionary factors were moving fast and the attitude of business and consumers was adversely affecting business. He suggests that world conditions make it imperative that the United States not have a recession. He believes the negative reserve picture should be reduced to zero.

ITEM VII

FURTHER COMMENTS WITH RESPECT TO THE BANK HOLDING COMPANY ACT OF 1956 WILL BE WELCOMED BY THE BOARD.

Fleming reads Item VII and the conclusion of the Council as expressed in the attached Confidential Memorandum.

Murray states that he has heard reports of the possibility that legislation will be introduced which will require state approval of holding company action.

Robertson replies that he has no knowledge of such plans and expresses doubt of its enactment should such legislation be introduced.

It was agreed to continue this item on the February agenda.

Fleming states that this will be the last meeting of the Federal Advisory Council that he will attend. He adds that the experience has been one he will always remember, and mentions in particular his association on the Council with Mr. Brown.

Vardaman states that the contributions Mr. Fleming has made to banking in his many public and official capacities are well known to all, as they are a matter of public record. What is not so widely known, Vardaman continues, are his activities behind the scenes. Fleming's greatest contribution came in the period immediately following the death of President Roosevelt. At that time a very strained relationship existed between the Board and the Council. Conditions had deteriorated to the point where joint meetings were about to be discontinued. Communications between the two groups were to be by written memorandum. Vardaman states that it was largely through Mr. Fleming's patient but persistent efforts that this situation was changed. Vardaman adds that he knows from personal knowledge of the extremely important role played by Mr. Fleming during that difficult period. The present cordial relationship that exists between the Board and the Council are in part, therefore, the result of Mr. Fleming's work.

Fleming thanks Vardaman for his kind remarks.

Martin states that "once a member of the Federal Advisory Council, always a member of the Federal Advisory Council", and that this would apply particularly to Mr. Fleming. He adds that since Mr. Fleming's office is in Washington, that he knows the Board and the Council will continue to call upon him.

The meeting adjourned at 1:00 P.M.

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The next meeting of the Council will be February 16-18, 1958.