

MINUTES OF THE MEETING OF THE FEDERAL ADVISORY COUNCIL

November 16, 1959

The fourth statutory meeting of the Federal Advisory Council for 1959 was convened in Room 932 of the Mayflower Hotel, Washington, D.C., on November 16, 1959, at 9:30 A.M.

Present:

Roger Damon, Alternate	District No. 1
Casimir A. Sienkiewicz	District No. 3
Reuben B. Hays	District No. 4
John S. Alfriend	District No. 5
John A. Sibley	District No. 6
Homer J. Livingston	District No. 7
William A. McDonnell	District No. 8
Gordon Murray	District No. 9
R. Otis McClintock	District No. 10
Walter B. Jacobs	District No. 11
Charles F. Frankland	District No. 12
Herbert V. Prochnow	Secretary
William J. Korsvik	Assistant Secretary

Absent:

Lloyd D. Brace	District No. 1
John J. McCloy	District No. 2

The President of the Council stated that Mr. I. F. Betts, President, The American National Bank of Beaumont, Beaumont, Texas, who will represent the Eleventh District on the Federal Advisory Council for the year 1960, was present in addition to Mr. Jacobs, the present incumbent.

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 31, 32 and 33.

The meeting adjourned at 12:05 P.M.

HERBERT V. PROCHNOW
Secretary

WILLIAM J. KORSVIK
Assistant Secretary

MINUTES OF THE MEETING OF THE FEDERAL ADVISORY COUNCIL

November 16, 1959

At 2:30 P.M., the Federal Advisory Council convened in the Board Room of the Federal Reserve Building, Washington, D.C.

Present: Mr. Homer J. Livingston, President; Mr. Roger Damon, Alternate for Mr. Lloyd D. Brace; Messrs. Casimir A. Sienkiewicz, Reuben B. Hays, John S. Alfriend, John A. Sibley, William A. McDonnell, Gordon Murray, R. Otis McClintock, Walter B. Jacobs, Charles F. Frankland, Herbert V. Prochnow, Secretary, and William J. Korsvik, Assistant Secretary. In addition, Mr. I. F. Betts, President, The American National Bank of Beaumont, Beaumont, Texas, who will represent the Eleventh District on the Federal Advisory Council for the year 1960, was present.

Absent: Messrs. Brace and McCloy.

Dr. Woodlief Thomas, Economic Adviser to the Board of Governors, spoke on "Economic Portents for 1960-61." An outline of his remarks was distributed to members of the Council.

Mr. J. Herbert Furth, Associate Adviser, Division of International Finance, spoke briefly on the balance of payments situation and the movement of gold. An outline of his remarks was subsequently distributed to the members of the Council.

HERBERT V. PROCHNOW
Secretary

WILLIAM J. KORSVIK
Assistant Secretary

MINUTES OF THE MEETING OF THE FEDERAL ADVISORY COUNCIL

November 16, 1959

At 8:30 P.M., the Federal Advisory Council reconvened in Room 932 of the Mayflower Hotel, Washington, D.C.

Present: Mr. Homer J. Livingston, President; Mr. Roger Damon, Alternate for Mr. Lloyd D. Brace; Messrs. Casimir A. Sienkiewicz, Reuben B. Hays, John S. Alfriend, John A. Sibley, William A. McDonnell, Gordon Murray, R. Otis McClintock, Walter B. Jacobs, Charles F. Frankland, Herbert V. Prochnow, Secretary, and William J. Korsvik, Assistant Secretary. In addition, Mr. I. F. Betts, President, The American National Bank of Beaumont, Beaumont, Texas, who will represent the Eleventh District on the Federal Advisory Council for the year 1960, was present.

Absent: Messrs. Brace and McCloy.

The Council reviewed its conclusions regarding the items on the agenda and sent to the office of the Secretary of the Board of Governors the *Confidential Memorandum* which follows on pages 31, 32 and 33, listing the agenda items with the conclusions reached by the Council. The *Memorandum* was delivered to the Federal Reserve Building at 10:30 P.M. on November 16, 1959.

The meeting adjourned at 9:10 P.M.

HERBERT V. PROCHNOW
Secretary

WILLIAM J. KORSVIK
Assistant Secretary

CONFIDENTIAL

MEMORANDUM TO THE BOARD OF GOVERNORS FROM THE FEDERAL
ADVISORY COUNCIL RELATIVE TO THE AGENDA FOR THE
JOINT MEETING ON NOVEMBER 17, 1959

1. The Board would appreciate receiving the views of the Council regarding the current business situation and the prospects for business activity during the remainder of this year and the first six months of 1960, along with reports from the individual members of the Council regarding current or prospective developments in their districts having especial significance to the total picture for the country as a whole. Comments on the impact of the strike in the steel industry, as it may have affected levels of production and trade and also as it may have a future effect on activity or psychology of the business community and the general public, will be of particular interest to the Board.

The strike in the steel industry temporarily retarded the upward trend in production, income and sales, but did not significantly affect the psychology of the business community and the general public. Furthermore, the strike had less impact on the levels of production and trade than was originally anticipated, and as a consequence the current business situation is generally good. Consumer spending has been sustained in volume. Capital expenditures have been rising. Although construction outlays have exceeded those of a year ago, they have declined in recent months. Aggregate farm income is down sharply.

Assuming that the production of steel is not again interrupted, the prospects are favorable for a relatively high level of business during the remainder of this year and the first six months of 1960.

2. The Board would appreciate the Council's views on the strength of the current and prospective demand for bank loans and other credit during the remainder of this year and the first half of 1960.

The Council believes that with some modifications the normal seasonal pattern in the demand for bank loans will prevail for the remainder of this year and the first half of 1960. To the extent, however, that bank credit in the form of loans and the acquisition of short-term Government obligations from corporations is required to finance the rebuilding of inventories liquidated during the steel strike, the usual seasonal pattern may be altered. Some further rise in the volume of consumer credit also seems probable if the predicted increase in the sale of automobiles and other consumer durables is realized. However, the change from a substantial deficit to a cash surplus in the Treasury's operations in the first half of calendar 1960 may tend to ease the credit situation somewhat.

3. The Board would be glad to have the views of the Council regarding appropriate credit policy between now and the next meeting of the Council.

The Council is of the opinion that appropriate credit policy between now and the next meeting of the Council would be a continuance of the present degree of credit restraint. However, as the Council observed at the September meeting with the Board, the character of the eventual "settlement of the steel strike may have significant consequences on public psychology and business expectations that may require modifications in credit policy."

4. The Board has been considering the desirability of amending the definition of savings deposits contained in Section 1(e) of Regulation Q, Payment of Interest on Deposits, so as to exclude deposits of public agencies even though operated for charitable or educational purposes. Consideration is also being given to whether the definition should be even further restricted so as to limit savings deposits solely to individuals, thus eliminating all corporations including the special types of nonprofit corporations and associations now permitted to have savings deposits. The Board would be interested in any views that the Council might care to express.

The members of the Council do not have statistical information which might indicate the significance of the savings deposits of public agencies. In the absence of such information, the Council is unable to express an opinion on this matter. The Council would be pleased to consider any information on this subject which the Board might wish to make available.

The Council opposes restricting the definition so as to limit savings deposits solely to individuals.

5. The Board would be interested in the views of the members of the Council with respect to the development and operation of "revolving" check and charge credit plans, particularly as such developments may have an impact on sound bank lending and on the exercise of monetary and credit policy.

The members of the Council are of the opinion that the impact on sound bank lending of "revolving" check and charge credit plans is directly dependent upon the thoroughness and continuity of the investigation of the credit worthiness of the borrowers and the quality of the banks' management of these credits.

If the development of these additional outlets for credit results in a significant increase in the total volume of credit outstanding, new factors and new problems are introduced which must be considered in the exercise of monetary and credit policy. For example, the administration of a restrictive monetary policy, including possible selective credit controls, in its application to this type of credit would be difficult.

The information available regarding these credits is relatively limited because of the lack of extended experience. The members of the Council believe it would be very much worthwhile if pertinent statistical information regarding these credits could be collected and periodically published. This information would include applications received and rejected, total lines of credit extended and the amount used, and data on delinquencies and losses.

Additional points of view on these types of credit will be presented orally by members of the Council.

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

November 16, 1959

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, A. L. Mills, Jr., J. L. Robertson, Chas. N. Shepardson, and G. H. King, Jr.; also Mr. Merritt Sherman, Secretary, and Mr. Kenneth A. Kenyon, Assistant Secretary of the Board of Governors.

Present: Members of the Federal Advisory Council:

Mr. Homer J. Livingston, President; Mr. Roger Damon, Alternate for Mr. Lloyd D. Brace; Messrs. John J. McCloy, Casimir A. Sienkiewicz, Reuben B. Hays, John S. Alfriend, John A. Sibley, William A. McDonnell, Gordon Murray, R. Otis McClintock, Walter B. Jacobs, Charles F. Frankland, Herbert V. Prochnow, Secretary, and William J. Korsvik, Assistant Secretary. In addition, Mr. I. F. Betts, President, The American National Bank of Beaumont, Beaumont, Texas, who will represent the Eleventh District on the Federal Advisory Council for the year 1960, was present.

Absent: Mr. Lloyd D. Brace.

President Livingston 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 31, 32 and 33.

The President read the second and third items on the Agenda and the Council's conclusions.

The fourth item on the Agenda was then read by President Livingston. Governor Mills commented on the history of Regulation Q and the definition of "savings deposits."

The President of the Council then read the fifth item on the Agenda and the conclusions of the Council as noted in the *Confidential Memorandum*. President Livingston called upon Mr. Damon to comment on the experience of the First National Bank of Boston with revolving check and charge credit plans. Mr. Damon's comments were generally favorable. A contrasting view was then outlined by Mr. Sienkiewicz. He expressed concern about the effect on sound bank lending and on the exercise of monetary and credit policy of the widespread development of revolving check and charge credit plans.

The meeting adjourned at 12:45 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 16, 1959 at 9:30 A.M., in Room 932 of the Mayflower Hotel, Washington, D. C. All members of the Federal Advisory Council were present except Messrs. Brace and McCloy. Mr. McCloy was unable to attend because of the death of his mother. Mr. Roger Damon attended as an alternate for Mr. Brace. Mr. I. F. Betts, who will represent the Eleventh District on the Federal Advisory Council for 1960, also was present.

The Council approved the Secretary's notes for the meeting of September 14-15, 1959.

ITEM I

THE BOARD WOULD APPRECIATE RECEIVING THE VIEWS OF THE COUNCIL REGARDING THE CURRENT BUSINESS SITUATION AND THE PROSPECTS FOR BUSINESS ACTIVITY DURING THE REMAINDER OF THIS YEAR AND THE FIRST SIX MONTHS OF 1960, ALONG WITH REPORTS FROM THE INDIVIDUAL MEMBERS OF THE COUNCIL REGARDING CURRENT OR PROSPECTIVE DEVELOPMENTS IN THEIR DISTRICTS HAVING ESPECIAL SIGNIFICANCE TO THE TOTAL PICTURE FOR THE COUNTRY AS A WHOLE. COMMENTS ON THE IMPACT OF THE STRIKE IN THE STEEL INDUSTRY, AS IT MAY HAVE AFFECTED LEVELS OF PRODUCTION AND TRADE AND ALSO AS IT MAY HAVE A FUTURE EFFECT ON ACTIVITY OR PSYCHOLOGY OF THE BUSINESS COMMUNITY AND THE GENERAL PUBLIC, WILL BE OF PARTICULAR INTEREST TO THE BOARD.

Livingston read Item I and asked the individual members of the Council to comment on conditions in their respective districts.

In the extended discussion which followed, there was general agreement that the strike in the steel industry, although temporarily retarding the upward trend in production and sales, had not significantly affected the psychology of the business community and the general public. The members of the Council were of the opinion that the strike had had less impact on the economy than they originally had anticipated. A number of members reported declines in construction and home building in their districts. Farm income was also mentioned as having declined rather sharply. The members of the Council were of the opinion, however, that if the production of steel is not again interrupted, the prospects are favorable for a relatively high level of business during the remainder of this year and the first six months of 1960.

ITEM II

THE BOARD WOULD APPRECIATE THE COUNCIL'S VIEWS ON THE STRENGTH OF THE CURRENT AND PROSPECTIVE DEMAND FOR BANK LOANS AND OTHER CREDIT DURING THE REMAINDER OF THIS YEAR AND THE FIRST HALF OF 1960.

A brief discussion followed in which it was generally agreed that the rebuilding of inventories liquidated during the steel strike may modify the normal seasonal pattern in the demand for bank loans for the remainder of this year and the first half of 1960. In addition, banks may be obliged to acquire short-term government obligations from corporations as businessmen liquidate their portfolios in order to obtain funds to replenish their inventories. Some further rise in the volume of consumer credit is also anticipated based on the predicted increase in the sale of automobiles and other consumer durables. However, the cash surplus which the Treasury will enjoy in the first half of 1960 may tend to ease the credit situation somewhat.

ITEM III

THE BOARD WOULD BE GLAD TO HAVE THE VIEWS OF THE COUNCIL REGARDING APPROPRIATE CREDIT POLICY BETWEEN NOW AND THE NEXT MEETING OF THE COUNCIL.

Livingston read Item III.

After a brief discussion, it was agreed that the Council's reply at the September meeting with the Board would still apply, namely, that appropriate credit policy between now and the next meeting of the Council would be a continuance of the present degree of restraint but that the ultimate settlement of the steel strike might require some modification of credit policy.

ITEM IV

THE BOARD HAS BEEN CONSIDERING THE DESIRABILITY OF AMENDING THE DEFINITION OF SAVINGS DEPOSITS CONTAINED IN SECTION 1(e) OF REGULATION Q, PAYMENT OF INTEREST ON DEPOSITS, SO AS TO EXCLUDE DEPOSITS OF PUBLIC AGENCIES EVEN THOUGH OPERATED FOR CHARITABLE OR EDUCATIONAL PURPOSES. CONSIDERATION IS ALSO BEING GIVEN TO WHETHER THE DEFINITION SHOULD BE EVEN FURTHER RESTRICTED SO AS TO LIMIT SAVINGS DEPOSITS SOLELY TO INDIVIDUALS, THUS ELIMINATING ALL CORPORATIONS INCLUDING THE SPECIAL TYPES OF NONPROFIT CORPORATIONS AND ASSOCIATIONS NOW PERMITTED TO HAVE SAVINGS DEPOSITS. THE BOARD WOULD BE INTERESTED IN ANY VIEWS THAT THE COUNCIL MIGHT CARE TO EXPRESS.

Livingston read Item IV. He added that he had sought additional information from the Board as to the types of "public agencies" mentioned in the Agenda item. The Board indicated that certain public housing authorities had sought to open savings deposits. After a brief discussion it was decided to indicate to the Board that the Council was unable to express an opinion on the matter as it did not have statistical information indicating the significance of the savings deposits of public agencies. The Council unanimously opposed restricting the definition contained in Section 1(e) of Regulation Q so as to limit savings deposits solely to individuals.

ITEM V

THE BOARD WOULD BE INTERESTED IN THE VIEWS OF THE MEMBERS OF THE COUNCIL WITH RESPECT TO THE DEVELOPMENT AND OPERATION OF "REVOLVING" CHECK AND CHARGE CREDIT PLANS, PARTICULARLY AS SUCH DEVELOPMENTS MAY HAVE AN IMPACT ON SOUND BANK LENDING AND ON THE EXERCISE OF MONETARY AND CREDIT POLICY.

Livingston read Item V and invited the members to comment. An extended discussion followed.

Sienkiewicz discussed at length revolving check and charge credit plans and their possible impact on sound bank practices and on monetary and credit policies. He observed that the revolving credit plan is the more disconcerting of the two. He questioned if bankers have enough experience to justify the widespread and rapid development of the revolving check credit plan. He also suggested that the traditional and time honored practices of thrift, systematic saving and reduction of debt which bankers have always promoted had to an extent been abandoned and, instead, bankers were promoting the desirability of perpetual debt. He also raised the question of possible adverse public relations resulting from the high rate of rejection of credit applicants. In the area of monetary policy, he questioned whether the widespread development of these credit plans would be an unstabilizing factor tending to accelerate credit expansion in times of boom and to curtail spending in periods of economic recession. He suggested that the monetary authorities were confronted with a new technique tending to increase the money supply and would be obliged to seek means to control it. He concluded by suggesting the need for data on the operation of these credit plans.

Damon responded by describing the philosophy that persuaded the First National Bank of Boston to institute these credit plans and outlining their experience during the past five years. He argued that bankers have an obligation to find means and methods to serve individuals in addition to industry and commerce. He also added that individuals obtain the credit their financial position and earning power warrants. These credit plans are an attempt for bankers to provide the credit directly rather than indirectly through department stores, mail order houses, finance companies, and other establishments. He also said a bank has an obligation to furnish credit to worthy applicants and should not be concerned with the use to which the borrower puts the funds. The determining question should be whether the person has the earning power to repay the loan. He concluded by noting that the bankers would be derelict in their duty if they did not extend banking services to deserving borrowers in their communities.

Following this discussion, it was decided that the Council's reply would indicate that the impact on sound bank lending of these credit plans is directly dependent upon the thoroughness and continuity of the investigation of the credit worthiness of the borrowers and the quality of the banks' management of these credits. In addition, as these plans develop, new factors and problems are introduced which must be considered in the exercise of monetary and credit policy. The application of possible selective controls, for example, in a period of restrictive credit policy, would be difficult. The Council's reply also would indicate the desirability of collecting and regularly publishing information on these plans. It was also decided that certain additional points of view would be orally presented to the members of the Board.

THE COUNCIL CONVENED IN THE BOARD ROOM OF THE FEDERAL RESERVE BUILDING, WASHINGTON, D. C., AT 2:30 P.M., ON NOVEMBER 16, 1959. ALL MEMBERS OF THE COUNCIL WERE PRESENT EXCEPT MESSRS. BRACE AND MC CLOY. MR. ROGER DAMON ATTENDED AS AN ALTERNATE FOR MR. BRACE. MR. I. F. BETTS, WHO WILL REPRESENT THE ELEVENTH DISTRICT ON THE FEDERAL ADVISORY COUNCIL FOR 1960, ALSO WAS PRESENT.

Dr. Woodlief Thomas, Economic Adviser to the Board of Governors, addressed the members of the Council on "Economic Portents for 1960-61." An outline of his remarks was distributed to members of the Council.

Mr. J. Herbert Furth, Associate Adviser, Division of International Finance, spoke briefly on the balance of payments situation and the movement of gold. An outline of his remarks appears below:

"Balance of payments situation in first three quarters of 1959 worse than in 1958. Overall deficit (transfer of gold and dollars to foreigners, excluding increase in Fund quota) rose from \$3.4 billion annual rate to \$4 billion annual rate. More important, current balance (for first half, but probably little changed for third quarter) changed from surplus of \$2 billion annual rate to deficit of \$1 billion annual rate. In 1958, current surplus was large enough to cover nearly all foreign aid, and deficit was about equal to outflow of private capital; it was still possible to say that we only converted unproductive gold and dollar balances into productive investments. This year, all our aid, all our private capital outflow, and even part of our current expenditures (which, however, include military expenditures) were in excess of receipts. If capital outflow had not been greatly reduced from 1958, total deficit would have doubled, instead of increasing only by one-fifth.

"Silver linings: First, in recent months exports increased more than imports, contrary to seasonal trend, although imports were increased by steel and expected dock strike, and exports reduced by steel strike. Second, fourth quarter has seen some extraordinary repayments of government debts (U.K. Export Import Bank loan) and large private capital inflow (high interest rates), and will, for the first time in years, see full service of year-end foreign debts. Third, in spite of increase in total balance-of-payments deficit, gold outflow is very much lower than in 1958, probably less than half.

"If in fourth quarter export and import trends follow third-quarter trend, and end of strikes brings expected further improvement, current account should again show surplus; this surplus, together with government debt and private capital receipts, will probably make total balance of payments quite favorable, perhaps reducing total deficit for 1959 to an amount not substantially larger than 1958 deficit. However, warning not to be misled by developments that may turn out to be temporary.

"For 1960, decline in foreign discrimination together with continued boom abroad and anti-inflationary policies at home, opens way for decisive improvement in trade balance. Next six months should give indications of future trends, especially answer to question whether large 1958-59 deficit was due to special circumstances or reflected permanent structural

CONFIDENTIAL

THE COUNCIL CONVENED AT 8:30 P.M. ON NOVEMBER 16, 1959, IN ROOM 932 OF THE MAYFLOWER HOTEL. ALL MEMBERS OF THE COUNCIL WERE PRESENT EXCEPT MESSRS. BRACE AND MC CLOY. MR. ROGER DAMON ATTENDED AS AN ALTERNATE FOR MR. BRACE. MR. I. F. BETTS, WHO WILL REPRESENT THE ELEVENTH DISTRICT ON THE FEDERAL ADVISORY COUNCIL FOR 1960, ALSO WAS PRESENT.

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 17, 1959. The Memorandum was delivered to the Federal Reserve Building at 10:30 P.M. on November 16, 1959.

The meeting adjourned at 9:10 P.M.

CONFIDENTIAL

MEMORANDUM TO THE BOARD OF GOVERNORS
FROM THE
FEDERAL ADVISORY COUNCIL
RELATIVE TO THE AGENDA FOR THE JOINT MEETING
ON NOVEMBER 17, 1959

1. The Board would appreciate receiving the views of the Council regarding the current business situation and the prospects for business activity during the remainder of this year and the first six months of 1960, along with reports from the individual members of the Council regarding current or prospective developments in their districts having especial significance to the total picture for the country as a whole. Comments on the impact of the strike in the steel industry, as it may have affected levels of production and trade and also as it may have a future effect on activity or psychology of the business community and the general public, will be of particular interest to the Board.

The strike in the steel industry temporarily retarded the upward trend in production, income and sales, but did not significantly affect the psychology of the business community and the general public. Furthermore, the strike had less impact on the levels of production and trade than was originally anticipated, and as a consequence the current business situation is generally good. Consumer spending has been sustained in volume. Capital expenditures have been rising. Although construction outlays have exceeded those of a year ago, they have declined in recent months. Aggregate farm income is down sharply.

Assuming that the production of steel is not again interrupted, the prospects are favorable for a relatively high level of business during the remainder of this year and the first six months of 1960.

2. The Board would appreciate the Council's views on the strength of the current and prospective demand for bank loans and other credit during the remainder of this year and the first half of 1960.

The Council believes that with some modifications the normal seasonal pattern in the demand for bank loans will prevail for the remainder of this year and the first half of 1960. To the extent, however, that bank credit in the form of loans and the acquisition of short-term Government obligations from corporations is required to finance the rebuilding of inventories liquidated during the steel strike, the usual seasonal pattern may be altered. Some further rise in the volume of consumer credit also seems probable if the predicted increase in the sale of automobiles and other consumer durables is realized. However, the change from a substantial deficit to a cash surplus in the Treasury's operations in the first half of calendar 1960 may tend to ease the credit situation somewhat.

3. The Board would be glad to have the views of the Council regarding appropriate credit policy between now and the next meeting of the Council.

The Council is of the opinion that appropriate credit policy between now and the next meeting of the Council would be a continuance of the present degree of credit restraint. However, as the Council observed at the September meeting with the Board, the character of the eventual "settlement of the steel strike may have significant consequences on public psychology and business expectations that may require modifications in credit policy."

4. The Board has been considering the desirability of amending the definition of savings deposits contained in Section 1(e) of Regulation Q, Payment of Interest on Deposits, so as to exclude deposits of public agencies even though operated for charitable or educational purposes. Consideration is also being given to whether the definition should be even further restricted so as to limit savings deposits solely to individuals, thus eliminating all corporations including the special types of nonprofit corporations and associations now permitted to have savings deposits. The Board would be interested in any views that the Council might care to express.

The members of the Council do not have statistical information which might indicate the significance of the savings deposits of public agencies. In the absence of such information, the Council is unable to express an opinion on this matter. The Council would be pleased to consider any information on this subject which the Board might wish to make available.

The Council opposes restricting the definition so as to limit savings deposits solely to individuals.

5. The Board would be interested in the views of the members of the Council with respect to the development and operation of "revolving" check and charge credit plans, particularly as such developments may have an impact on sound bank lending and on the exercise of monetary and credit policy.

The members of the Council are of the opinion that the impact on sound bank lending of "revolving" check and charge credit plans is directly dependent upon the thoroughness and continuity of the investigation of the credit worthiness of the borrowers and the quality of the banks' management of these credits.

If the development of these additional outlets for credit results in a significant increase in the total volume of credit outstanding, new

factors and new problems are introduced which must be considered in the exercise of monetary and credit policy. For example, the administration of a restrictive monetary policy, including possible selective credit controls, in its application to this type of credit would be difficult.

The information available regarding these credits is relatively limited because of the lack of extended experience. The members of the Council believe it would be very much worthwhile if pertinent statistical information regarding these credits could be collected and periodically published. This information would include applications received and rejected, total lines of credit extended and the amount used, and data on delinquencies and losses.

Additional points of view on these types of credit will be presented orally by members of the Council.

ON NOVEMBER 17, 1959, AT 10:30 A.M., THE FEDERAL ADVISORY COUNCIL HELD A JOINT MEETING WITH THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM IN THE FEDERAL RESERVE BUILDING, WASHINGTON, D. C. ALL MEMBERS OF THE COUNCIL WERE PRESENT EXCEPT MR. BRACE. MR. ROGER DAMON ATTENDED AS AN ALTERNATE FOR MR. BRACE. MR. I. F. BETTS, WHO WILL REPRESENT THE ELEVENTH DISTRICT ON THE FEDERAL ADVISORY COUNCIL FOR 1960, ALSO WAS PRESENT.

THE FOLLOWING MEMBERS OF THE BOARD OF GOVERNORS WERE PRESENT: CHAIRMAN MARTIN, VICE CHAIRMAN BALDERSTON, GOVERNORS SZYMCAK, MILLS, ROBERTSON, SHEPARDSON AND KING. MR. SHERMAN, SECRETARY, AND MR. KENYON, ASSISTANT SECRETARY OF THE BOARD OF GOVERNORS, ALSO WERE PRESENT.

The minutes of the joint meeting are being prepared in the office of the Secretary of the Board of Governors of the Federal Reserve System. Their content will be compared with the notes of the Secretary of the Council. Assuming they are in substantial agreement, they will be distributed to the members of the Council.

The meeting adjourned at 12:45 P.M.

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The next meeting of the Council will be held February 15-16, 1960.