

MINUTES OF THE MEETING OF THE FEDERAL ADVISORY COUNCIL

September 18, 1961

The third statutory meeting of the Federal Advisory Council for 1961 was convened in Room 928 of the Mayflower Hotel, Washington, D. C., on September 18, 1961, at 9:30 A.M.

Present:

Ostrom Enders	District No. 1
George A. Murphy	District No. 2
Howard C. Petersen	District No. 3
Reuben B. Hays	District No. 4
Robert B. Hobbs	District No. 5
General John C. Persons	District No. 6
Homer J. Livingston	District No. 7
Allan Morgan, Alternate	District No. 8
Gordon Murray	District No. 9
R. Otis McClintock	District No. 10
I. F. Betts	District No. 11
Charles F. Frankland	District No. 12
Herbert V. Prochnow	Secretary
William J. Korsvik	Assistant Secretary

Absent:

Norfleet Turner	District No. 8
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On motion duly made and seconded, the mimeographed notes of the meeting of the Council held on May 15-16, 1961, copies of which had been sent previously to the members of the Council, were approved.

A complete list of the items on the agenda for the meeting and the conclusions of the Council are to be found in the *Confidential Memorandum to the Board of Governors from the Federal Advisory Council*, which follows on pages 25, 26, and 27 of these minutes.

The meeting adjourned at 12:10 P.M.

HERBERT V. PROCHNOW  
Secretary

WILLIAM J. KORSVIK  
Assistant Secretary

MINUTES OF THE MEETING OF THE FEDERAL ADVISORY COUNCIL

September 18, 1961

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; Messrs. Ostrom Enders, George A. Murphy, Reuben B. Hays, Robert B. Hobbs, General John C. Persons; Mr. Allan Morgan, Alternate for Mr. Norfleet Turner; Messrs. Gordon Murray, R. Otis McClintock, I. F. Betts and Charles F. Frankland.

Absent: Messrs. Howard C. Petersen and Norfleet Turner.

Dr. Woodlief Thomas, Adviser to the Board of Governors of the Federal Reserve System, and members of the Board's Division of Research and Statistics, and Division of International Finance, participated in a presentation on "The Present Economic Situation."

HERBERT V. PROCHNOW  
Secretary

WILLIAM J. KORSVIK  
Assistant Secretary

MINUTES OF THE MEETING OF THE FEDERAL ADVISORY COUNCIL

September 18, 1961

At 8:00 P.M., the Federal Advisory Council reconvened in Room 928 of the Mayflower Hotel, Washington, D. C.

Present: Mr. Homer J. Livingston, President; Messrs. Ostrom Enders, George A. Murphy, Reuben B. Hays, Robert B. Hobbs, General John C. Persons; Mr. Allan Morgan, Alternate for Mr. Norfleet Turner; Messrs. Gordon Murray, R. Otis McClintock, I. F. Betts, Charles F. Frankland, Herbert V. Prochnow, Secretary, and William J. Korsvik, Assistant Secretary.

Absent: Messrs. Howard C. Petersen and Norfleet Turner.

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 to the Board of Governors from the Federal Advisory Council*, which follows on pages 25, 26, and 27, listing the agenda items with the conclusions reached by the Council. The *Memorandum* was delivered to the Federal Reserve Building at 10:45 P.M. on September 18, 1961.

The meeting adjourned at 9:55 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 SEPTEMBER 19, 1961

1. What are the views of the Council concerning the current business situation and prospects for the remainder of 1961 and early 1962? Is rapid expansion in activity likely to continue without interruption for another six months, as it did after the Autumn of 1958? How does the demand situation at present compare with the situation at that time?

The Council believes that the over-all level of business is good and that there will be further expansion in activity in the remaining months of 1961 and early 1962. The members of the Council expect the expansion in activity to continue without interruption for another six months, but they do not anticipate it will reach boom proportions. The Council believes that the present demand situation is not as strong as it was in the Autumn of 1958.

2. Are there indications that increased international tension and the increase in the defense program are having any effect on business buying or on consumer buying? Has there been any shift in recent weeks in business views as to prospects for commodity prices? Is there any concrete evidence that inflationary expectations are developing?

The members of the Council have seen no evidence that increased international tension and the increase in the defense program have had any important effect on business or consumer buying. The Council discerns no shift in recent weeks in business views as to the prospects for commodity prices. There is little concrete evidence at this time that inflationary expectations are developing, but the members of the Council believe that underlying, long-term inflationary factors are still present.

3. Is the recent shift from inventory liquidation to accumulation likely to be followed by still more rapid accumulation?

Most members of the Council do not anticipate in the months immediately ahead a more rapid accumulation of inventories than occurred during the first half of 1961.

4. Are businesses changing their plans for plant and equipment expenditures in response to the recent increase in business activity and profits? Are funds readily available from internal sources or from the capital markets to finance larger capital outlays?

The members of the Council do not believe that businessmen are changing their plans for plant and equipment expenditures in response to the recent increase in business activity and profits. In general, the Council anticipates that while such expenditures will rise in the latter part of the year, total expenditures for 1961 will be somewhat below outlays last year. Internal sources supplemented by funds from capital markets are likely to be adequate to finance the anticipated increase in investment.

5. Are consumers likely to continue to buy goods and services in only moderate volume, considering current income levels, or will they tend to borrow more and accumulate liquid assets less rapidly than in the recent past? With the more liberal financing terms provided by new legislation, mortgage rates down from earlier highs, and disposable incomes up, is there evidence of strengthening in demand for residential properties?

The members of the Council expect consumers to spend and borrow more in the months ahead than in the recent past. Although the demand for residential properties, as indicated by housing starts, applications for FHA commitments and requests for VA appraisals, is above the low point of December, 1960, there has been little indication of any important strengthening in this demand.

6. Are demands for bank credit developing more or less actively than usual for this season of the year? In what areas is loan demand most active? Does the Council's experience confirm the observation that the slower rate of loan expansion thus far in this recovery period has been due to a heavy volume of loan repayment from the proceeds of security issues rather than a lag in the demand for new loans?

The over-all demands for bank credit are developing less actively than usual for this season of the year and do not yet reflect the increase in business activity. Although business loans of weekly reporting member banks are still (as of the close of August) somewhat below their 1960 year-end level, further inventory accumulation and the anticipated expansion in business should increase the demand for bank loans. With the exception of certain types of construction loans in some districts, the members of the Council do not find any areas of loan demand significantly more active than others. The Council's experience does not confirm the observation that the slower rate of loan expansion thus far in this recovery has been due to a heavy volume of loan repayment from the proceeds of security issues rather than a lag in the demand for new loans. A heavy volume of loan repayment from the proceeds of security issues is only one factor in the slower rate of loan expansion in this recovery period.

7. What does available information concerning particular products suggest as to the course of exports? Will exports generally remain close to the advanced level reached early this year or will they show important changes in one direction or another? Is increased production in this country leading to increased imports?

Available information concerning particular products provides little or no guidance as to the probable course of exports. The Council anticipates that the volume of exports will be down moderately from the advanced level reached early this year. Although the volume of imports is somewhat below last year, increased production in this country should lead to increased imports.

- 8 Does the Council care to make any comments on the apparently growing tendency to use drafts, some with documents attached, as cash items in lieu of checks?

The use of drafts, some with documents attached, as cash items in lieu of checks, is presently not of large volume. However, it does represent some abuse of the banking system, and it would be unfortunate if this practice accelerated and became widespread. Furthermore, the expanded use of drafts might hamper the encoding and mechanical handling of these items.

9. What have been the effects of extension of Federal Reserve operations this year to other than short-term Governments?

It is extremely difficult to evaluate with assurance the effects or desirability of the extension of Federal Reserve operations this year to other than short-term Governments. The short-term market has tended to be relatively stable and above 2 per cent, but the change in operations may have introduced some uncertainty into the long-term Government bond market.

10. What are the views of the Council regarding current monetary and credit policy?

Current monetary and credit policy has effectively contributed to the recovery of the economy. The Council believes the continuation of current monetary and credit policy would seem desirable until considerably stronger credit demands appear.

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

September 19, 1961

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:

Vice Chairman C. Canby Balderston; Governors J. L. Robertson, Chas. N. Shepardson, G. H. King, Jr. and George W. Mitchell; 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; Messrs. Ostrom Enders, George A. Murphy, Howard C. Petersen, Reuben B. Hays, Robert B. Hobbs, General John C. Persons; Mr. Allan Morgan, Alternate for Mr. Norfleet Turner; Messrs. Gordon Murray, R. Otis McClintock, I. F. Betts, Charles F. Frankland, Herbert V. Prochnow, Secretary, and William J. Korsvik, Assistant Secretary.

Absent: Mr. Norfleet Turner.

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 25, 26, and 27 of these minutes. At the instance of the Board there was a general discussion of the sluggishness of retail sales and the possible reasons for this development. Vice Chairman Balderston observed that the failure of consumer spending to increase proportionately in this recovery period was rather perplexing.

The President read the second item, and the conclusions of the Council. Governor Shepardson noted that although the defense program was showing the usual lag in terms of actual expenditures, there was the prospect of a considerable bluge in expenditures in the relatively near future.

President Livingston read the third item, and the conclusions of the Council. A brief discussion followed.

The fourth and fifth items on the agenda were then read by the President of the Council.

President Livingston then read the sixth item on the agenda, and the conclusions of the Council and a brief discussion followed.

The seventh item, and the Council's conclusions were then read by President Livingston. Mr. Petersen said that it was hard to measure export and import trends according to particular product areas and he did not think it was possible to estimate the course of the trade balance in this way. In response to an inquiry from Governor Shepardson, President Livingston said that he sensed a movement in the direction of

increasing tariffs rather than toward trade liberalization. Mr. Petersen concurred in this observation. He added that the greatest problem this country was facing in the international trade field was the growth of the Common Market which was essentially a form of discrimination against the United States. Unless this problem could be dealt with effectively, the economic growth of this country could be injured.

The President of the Council then read the eighth item on the agenda, and the Council's conclusions.

The ninth item, and the conclusions of the Council were then read by President Livingston. An extended discussion followed in which various members of the Board and the Council participated.

The tenth item was read by President Livingston together with the conclusions of the Council. He added that the Council would like to see more concrete evidence of the durability of the recovery before it would recommend a change in the present degree of ease. In response to an inquiry from Governor Shepardson, the members of the Council indicated that they were not concerned about the lack of growth of the money supply.

The meeting concluded with an inquiry by President Livingston to the Board as to developments with respect to the maximum rates of interest permitted to be paid on time and savings deposits under Regulation Q. Vice Chairman Balderston replied that the Board continued to discuss the subject but that no decision had yet been reached. President Livingston suggested that perhaps the matter should be on the Agenda for the next meeting of the Board and the Council.

The meeting adjourned at 12:10 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 September 18, 1961, at 9:30 A.M., in Room 928 of the Mayflower Hotel, Washington, D. C. All members of the Council were present except Mr. Norfleet Turner, who was ill. Mr. Allan Morgan attended as an Alternate for Mr. Turner.

The Council approved the Secretary's notes for the meeting of May 15-16, 1961.

#### ITEM I

WHAT ARE THE VIEWS OF THE COUNCIL CONCERNING THE CURRENT BUSINESS SITUATION AND PROSPECTS FOR THE REMAINDER OF 1961 AND EARLY 1962? IS RAPID EXPANSION IN ACTIVITY LIKELY TO CONTINUE WITHOUT INTERRUPTION FOR ANOTHER SIX MONTHS, AS IT DID AFTER THE AUTUMN OF 1958? HOW DOES THE DEMAND SITUATION AT PRESENT COMPARE WITH THE SITUATION AT THAT TIME?

Livingston read Item I and asked the members of the Council to comment, noting the length of the Agenda and the need to be brief. A discussion followed in which all of the members participated. There was general agreement that the overall level of business is good and that there will be further expansion in activity in the remaining months of 1961 and early 1962. Although the members of the Council indicated that they expect the expansion to continue without interruption for at least another six months, they did not foresee any great forward surge or that the activity would reach boom proportions. There was considerable comment about the sluggishness of consumer buying despite the rise in personal income. As a consequence, the members of the Council do not feel that the present demand situation is as strong as it was in the autumn of 1958.

#### ITEM II

ARE THERE INDICATIONS THAT INCREASED INTERNATIONAL TENSION AND THE INCREASE IN THE DEFENSE PROGRAM ARE HAVING ANY EFFECT ON BUSINESS BUYING OR ON CONSUMER BUYING? HAS THERE BEEN ANY SHIFT IN RECENT WEEKS IN BUSINESS VIEWS AS TO PROSPECTS FOR COMMODITY PRICES? IS THERE ANY CONCRETE EVIDENCE THAT INFLATIONARY EXPECTATIONS ARE DEVELOPING?

Livingston read Item II and invited the members to comment. A brief discussion followed in which there was indicated general unanimity among the members of the Council that increased international tension and the increase in the defense program have not had any important effect on business or consumer buying. The members reported that they had discerned no shift in recent weeks in business views as to the prospects for commodity prices. While some members reported some concern among bankers and businessmen about the reappearance of inflationary pressures, the Council in general concluded that there was little concrete evidence that inflationary expectations were developing. Despite this, the members were also of the opinion that underlying, long-term inflationary factors are still

ITEM III

IS THE RECENT SHIFT FROM INVENTORY LIQUIDATION TO ACCUMULATION LIKELY TO BE FOLLOWED BY STILL MORE RAPID ACCUMULATION?

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Livingston read Item III. In the brief discussion that followed, the members of the Council concluded that while inventory accumulation would continue, it would probably be at a less rapid rate than occurred during the first half of 1961.

ITEM IV

ARE BUSINESSES CHANGING THEIR PLANS FOR PLANT AND EQUIPMENT EXPENDITURES IN RESPONSE TO THE RECENT INCREASE IN BUSINESS ACTIVITY AND PROFITS? ARE FUNDS READILY AVAILABLE FROM INTERNAL SOURCES OR FROM THE CAPITAL MARKETS TO FINANCE LARGER CAPITAL OUTLAYS?

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Livingston read item IV and stated that he did not believe that businesses were changing their plans for plant and equipment expenditures in response to the recent increase in business activity and profits and that funds were readily available to finance these capital outlays. The other members of the Council concurred with this observation.

ITEM V

ARE CONSUMERS LIKELY TO CONTINUE TO BUY GOODS AND SERVICES IN ONLY MODERATE VOLUME, CONSIDERING CURRENT INCOME LEVELS, OR WILL THEY TEND TO BORROW MORE AND ACCUMULATE LIQUID ASSETS LESS RAPIDLY THAN IN THE RECENT PAST? WITH THE MORE LIBERAL FINANCING TERMS PROVIDED BY NEW LEGISLATION, MORTGAGE RATES DOWN FROM EARLIER HIGHS, AND DISPOSABLE INCOMES UP, IS THERE EVIDENCE OF STRENGTHENING IN DEMAND FOR RESIDENTIAL PROPERTIES?

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Livingston read Item V and invited the members of the Council to comment. There followed a further discussion on the recent buying behavior of consumers. The Council finally concluded that consumers are likely to spend and borrow more in the months ahead than in the recent past. It also was the Council's opinion, that despite the rise in housing starts above the low of last December, that there is little indication of any important strengthening in demand for residential properties.

ITEM VI

ARE DEMANDS FOR BANK CREDIT DEVELOPING MORE OR LESS ACTIVELY THAN USUAL FOR THIS SEASON OF THE YEAR? IN WHAT AREAS IS LOAN DEMAND MOST ACTIVE? DOES THE COUNCIL'S EXPERIENCE CONFIRM THE OBSERVATION THAT THE SLOWER RATE OF LOAN EXPANSION THUS FAR IN THIS RECOVERY PERIOD HAS BEEN DUE TO A HEAVY VOLUME OF LOAN REPAYMENT FROM THE PROCEEDS OF SECURITY ISSUES RATHER THAN A LAG IN THE DEMAND FOR NEW LOANS?

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Livingston read Item VI and a brief discussion followed in which most of the members participated. It was concluded that the over-all demands for bank credit are developing less actively than usual for this season of the year and that these demands do not yet reflect the increase in business activity. The Council anticipates an increase in the demand for bank loans in the months ahead as business continues to expand and larger inventories are accumulated. With the resolution of certain types of construction loans in some districts, the members

of the Council did not report any area of loan demand significantly more active than others. The Council's experience did not confirm the observation that the slower rate of loan expansion thus far in the recovery had been due to a heavy volume of loan repayment from the proceeds of security issues rather than a lack in the demand for new loans. The Council observed that loan repayments from the proceeds of security issues was only one factor in the slower rate of loan expansion.

#### ITEM VII.

WHAT DOES AVAILABLE INFORMATION CONCERNING PARTICULAR PRODUCTS SUGGEST AS TO THE COURSE OF EXPORTS? WILL EXPORTS GENERALLY REMAIN CLOSE TO THE ADVANCED LEVEL REACHED EARLY THIS YEAR OR WILL THEY SHOW IMPORTANT CHANGES IN ONE DIRECTION OR ANOTHER? IS INCREASED PRODUCTION IN THIS COUNTRY LEADING TO INCREASED IMPORTS?

Livingston read Item VII and added that the questions in this item were particularly difficult to answer.

Petersen stated that exports were down from the high level of the beginning of 1961, imports were rising, and as a consequence, our trade balance had narrowed.

After some further discussion in which various members participated, it was concluded that available information concerning particular products provides little or no guidance to the probable course of exports. The Council anticipates that the volume of exports will be down moderately from the advance level reached earlier this year and that imports, currently somewhat below last year, will probably rise as industrial production increases.

#### ITEM VIII

DOES THE COUNCIL CARE TO MAKE ANY COMMENTS ON THE APPARENTLY GROWING TENDENCY TO USE DRAFTS, SOME WITH DOCUMENTS ATTACHED, AS CASH ITEMS IN LIEU OF CHECKS?

Livingston read Item VIII and added that he believed the recent article in the Wall Street Journal on the use of drafts as cash items greatly exaggerated the problem. This opinion was largely confirmed by other members of the Council. Despite the fact that a relatively small volume of drafts are in use today, the Council believes that they do represent some abuse of the banking system and that it would be unfortunate if this practice accelerated and became widespread. The Council also expressed concern that the expanded use of drafts might complicate the encoding and mechanical handling of such items.

#### ITEM IX

WHAT HAVE BEEN THE EFFECTS OF EXTENSION OF FEDERAL RESERVE OPERATIONS THIS YEAR TO OTHER THAN SHORT-TERM GOVERNMENTS?

Livingston read Item IX and an extended discussion followed. The Council concluded that it is extremely difficult to evaluate with assurance the effects or the desirability of the extension of Federal Reserve operations this year to other than short-term governments. The Council noted that the short-term market has been relatively stable and above 2 per cent. On the other <sup>the</sup> hand, it believes that the change in operations introduced some uncertainty into long-term government bond market. There was considerable discussion on the probable effect of recent open market operations on issues in the 3-5 year maturity range.

ITEM X

WHAT ARE THE VIEWS OF THE COUNCIL REGARDING CURRENT MONETARY AND CREDIT POLICY?

Livingston read Item X. After some discussion, the Council concluded that current monetary and credit policy has effectively contributed to the recovery of the economy and that a continuation of the present degree of ease seems desirable until considerably stronger credit demands appear. There also was some discussion of the effect on the banking system if short-term interest rates should rise above 3 per cent, and as a result, the volume of C/D's in the money center banks were sharply diminished.

The meeting adjourned at 12:10 P.M.

CONFIDENTIAL

MEMORANDUM TO THE BOARD OF GOVERNORS  
FROM THE  
FEDERAL ADVISORY COUNCIL  
RELATIVE TO THE AGENDA FOR THE JOINT MEETING  
ON SEPTEMBER 19, 1961

1. What are the views of the Council concerning the current business situation and prospects for the remainder of 1961 and early 1962? Is rapid expansion in activity likely to continue without interruption for another six months, as it did after the Autumn of 1958? How does the demand situation at present compare with the situation at that time?

The Council believes that the over-all level of business is good and that there will be further expansion in activity in the remaining months of 1961 and early 1962. The members of the Council expect the expansion in activity to continue without interruption for another six months, but they do not anticipate it will reach boom proportions. The Council believes that the present demand situation is not as strong as it was in the Autumn of 1958.

2. Are there indications that increased international tension and the increase in the defense program are having any effect on business buying or on consumer buying? Has there been any shift in recent weeks in business views as to prospects for commodity prices? Is there any concrete evidence that inflationary expectations are developing?

The members of the Council have seen no evidence that increased international tension and the increase in the defense program have had any important effect on business or consumer buying. The Council discerns no shift in recent weeks in business views as to the prospects for commodity prices. There is little concrete evidence at this time that inflationary expectations are developing, but the members of the Council believe that underlying, long-term inflationary factors are still present.

3. Is the recent shift from inventory liquidation to accumulation likely to be followed by still more rapid accumulation?

Most members of the Council do not anticipate in the months immediately ahead a more rapid accumulation of inventories than occurred during the first half of 1961.

4. Are businesses changing their plans for plant and equipment expenditures in response to the recent increase in business activity and profits? Are funds readily available from internal sources or from the capital markets to finance larger capital outlays?

The members of the Council do not believe that businessmen are changing their plans for plant and equipment expenditures in response to the recent increase in business activity and profits. In general, the Council anticipates that while such expenditures will rise in the latter part of the year, total expenditures for 1961 will be somewhat below outlays last year. Internal sources supplemented by funds from capital markets are likely to be adequate to finance the anticipated increase in investment.

5. Are consumers likely to continue to buy goods and services in only moderate volume, considering current income levels, or will they tend to borrow more and accumulate liquid assets less rapidly than in the recent past? With the more liberal financing terms provided by new legislation, mortgage rates down from earlier highs, and disposable incomes up, is there evidence of strengthening in demand for residential properties?

The members of the Council expect consumers to spend and borrow more in the months ahead than in the recent past. Although the demand for residential properties, as indicated by housing starts, applications for FHA commitments and requests for VA appraisals, is above the low point of December, 1960, there has been little indication of any important strengthening in this demand.

6. Are demands for bank credit developing more or less actively than usual for this season of the year? In what areas is loan demand most active? Does the Council's experience confirm the observation that the slower rate of loan expansion thus far in this recovery period has been due to a heavy volume of loan repayment from the proceeds of security issues rather than a lag in the demand for new loans?

The over-all demands for bank credit are developing less actively than usual for this season of the year and do not yet reflect the increase in business activity. Although business loans of weekly reporting member banks are still (as of the close of August) somewhat below their 1960 year-end level, further inventory accumulation and the anticipated expansion in business should increase the demand for bank loans. With the exception of certain types of construction loans in some districts, the members of the Council do not find any areas of loan demand significantly more active than others. The Council's experience does not confirm the observation that the slower rate of loan expansion thus far

in this recovery has been due to a heavy volume of loan repayment from the proceeds of security issues rather than a lag in the demand for new loans. A heavy volume of loan repayment from the proceeds of security issues is only one factor in the slower rate of loan expansion in this recovery period.

7. What does available information concerning particular products suggest as to the course of exports? Will exports generally remain close to the advanced level reached early this year or will they show important changes in one direction or another? Is increased production in this country leading to increased imports?

Available information concerning particular products provides little or no guidance as to the probable course of exports. The Council anticipates that the volume of exports will be down moderately from the advanced level reached early this year. Although the volume of imports is somewhat below last year, increased production in this country should lead to increased imports.

8. Does the Council care to make any comments on the apparently growing tendency to use drafts, some with documents attached, as cash items in lieu of checks?

The use of drafts, some with documents attached, as cash items in lieu of checks, is presently not of large volume. However, it does represent some abuse of the banking system, and it would be unfortunate if this practice accelerated and became widespread. Furthermore, the expanded use of drafts might hamper the encoding and mechanical handling of these items.

9. What have been the effects of extension of Federal Reserve operations this year to other than short-term Governments?

It is extremely difficult to evaluate with assurance the effects or desirability of the extension of Federal Reserve operations this year to other than short-term Governments. The short-term market has tended to be relatively stable and above 2 per cent, but the change in operations may have introduced some uncertainty into the long-term Government bond market.

10. What are the views of the Council regarding current monetary and credit policy?

Current monetary and credit policy has effectively contributed to the recovery of the economy. The Council believes the continuation of current monetary and credit policy would seem desirable until considerably stronger credit demands appear.

ON SEPTEMBER 19, 1961, 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. WITH THE EXCEPTION OF MR. NORFLEET TURNER, ALL MEMBERS OF THE COUNCIL WERE PRESENT. MR. ALLAN MORGAN ATTENDED AS AN ALTERNATE FOR MR. TURNER.

THE FOLLOWING MEMBERS OF THE BOARD OF GOVERNORS WERE PRESENT: VICE CHAIRMAN BALDERSTON, GOVERNORS ROBERTSON, SHEPARDSON, KING AND MITCHELL. 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 12:35 P.M.

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The next meeting of the Council will be held November 20-21, 1961.