

MINUTES OF THE MEETING OF THE FEDERAL ADVISORY COUNCIL

September 16, 1963

The third statutory meeting of the Federal Advisory Council for 1963 was convened in Room 932 of the Mayflower Hotel, Washington, D. C. on September 16, 1963, at 9:30 a.m.

Present:

Lawrence H. Martin	District No. 1
George A. Murphy	District No. 2
Howard C. Petersen	District No. 3
L. A. Stoner	District No. 4
Robert B. Hobbs	District No. 5
J. Finley McRae	District No. 6
Kenneth V. Zwiener	District No. 7
Sidney Maestre	District No. 8
John A. Moorhead	District No. 9
Maurice L. Breidenthal	District No. 10
James W. Aston	District No. 11
Elliott McAllister	District No. 12
Herbert V. Prochnow	Secretary
William J. Korsvik	Assistant Secretary

On motion duly made and seconded, the mimeographed notes of the meeting held on May 20-21, 1963, 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 24, 25 and 26 of these minutes.

The meeting adjourned at 12:25 P.M.

HERBERT V. PROCHNOW
Secretary

WILLIAM J. KORSVIK
Assistant Secretary

MINUTES OF THE MEETING OF THE FEDERAL ADVISORY COUNCIL

September 16, 1963

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

Present: Mr. George A. Murphy, President; Messrs. Lawrence H. Martin, Howard C. Petersen, L. A. Stoner, Robert B. Hobbs, J. Finley McRae, Kenneth V. Zwiener, Sidney Maestre, John A. Moorhead, Maurice L. Breidenthal, James W. Aston, and Elliott McAllister.

Dr. Ralph A. Young, Director, and members of the staff of the Division of International Finance, discussed The Brookings Report. A resume of the discussion was sent to the members of the Council.

HERBERT V. PROCHNOW
Secretary

WILLIAM J. KORSVIK
Assistant Secretary

MINUTES OF THE MEETING OF THE FEDERAL ADVISORY COUNCIL

September 16, 1963

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

Present: Mr. George A. Murphy, President; Messrs. Lawrence H. Martin, Howard C. Petersen, L. A. Stoner, Robert B. Hobbs, J. Finley McRae, Kenneth V. Zwiener, Sidney Maestre, John A. Moorhead, Maurice L. Breidenthal, James W. Aston, Elliott McAllister, Herbert V. Prochnow, Secretary, and William J. Korsvik, Assistant Secretary.

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 24, 25, and 26, 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 September 16, 1963.

The meeting adjourned at 9:15 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 17, 1963

1. What are the views of the members of the Council as to the probable course of economic activity in the United States during the remainder of 1963 and the early part of 1964? In discussing this general question, the Council may wish to comment on the following items:
 - (a) Do recent levels of residential building activity appear to be firmly based, and is further expansion anticipated?
 - (b) Does the liquidation of steel inventories acquired earlier this year appear to have about run its course, or is further liquidation in prospect?
 - (c) Has any important change been observed recently in prospects for plant and equipment expenditures?
 - (d) Does the Council continue of the opinion expressed at its previous meeting with the Board, that competitive pressures resulting from unused domestic capacity, as well as from manufacturers abroad, will tend to be sufficient to discourage broad price rises in the relatively near future?

The members of the Council anticipate that economic activity in the United States during the remainder of 1963 and the early part of 1964 will continue to increase moderately. The persistent deficit in our balance of payments, the reaction which might occur if a tax cut did not materialize and the fact that the current period of expansion has already run over 2-1/2 years are some uncertainties in the current economic situation.

(a) While certain types of residential construction in particular areas of the country have been overbuilt, most members of the Council believe that the recent building of single family homes has been relatively firmly based.

One of the facts involved in the strong expansion in apartment building has been the abundance of long-term funds seeking investment. This probably has resulted in some speculative building of multi-family units. On the other hand, in many areas of the country there is a demand for apartments, particularly by the younger and older population groups. In general, residential construction will probably experience a sideways movement with no pronounced upward trend.

(b) The members of the Council are of the opinion that the liquidation of steel inventories acquired earlier this year has about run its course.

(c) The expectations of businessmen have improved since the last meeting with the Board in May. This change in sentiment increases the prospects for an expansion in plant and equipment expenditures in the months ahead.

(d) The Council continues to believe that broad price rises are unlikely in the relatively near future. However, the substantial rise in production since May reduces somewhat the competitive pressures resulting from unused domestic capacity which have discouraged price advances in the past. Recent increases in productivity tend to contribute to price stability.

2. Does the Council detect any substantial slackening in bank efforts to attract time and savings deposits? Any change in the pattern of bank investment of these savings inflows?

The members of the Council believe that banks are making a somewhat less intensive effort to attract time and savings deposits. However, this has not been reflected in an easing of rates paid for such funds.

The changes in Regulation Q were interpreted by many commercial bankers as an indication that the monetary authorities would permit them to pay competitive rates in the money markets. Those funds sensitive to changes in yields in the money market would therefore be less apt to move out of the banking system. Many bankers felt that their need for liquidity had been lessened somewhat, and they changed their investment policies by adding substantially to their holdings of municipal securities and mortgages. Although the members of the Council believe that time and savings deposits in the future will account for an increasing percentage of total deposits, the rate of increase will not be as sharp as in the past two years. As a consequence, changes in bank investment portfolios will tend to be less marked.

3. As a result of high levels of activity and of changes in business tax laws, the flow of internally generated business funds has increased substantially this year, while dependence on bank and market financing appears to have declined. Do the members of the Council expect business needs for bank financing to continue moderate over the balance of the year or are there signs of significant increase in business loans? Does the Council feel that banks, by and large, are sufficiently liquid to meet a moderate upsurge in credit demands without substantial portfolio rearrangement?

The members of the Council expect business needs for bank financing to increase seasonally over the balance of the year. While the liquidity of the banking system has declined, the Council believes that the commercial banks are in a position to meet a moderate upsurge in credit demands without substantial portfolio rearrangement.

4. What are the Council's observations regarding current attitudes in the business and financial community toward U. S. balance of payments developments? How does the Council appraise the general reception of the recent actions and proposals designed to deal with this problem?

Although the persistent deficit in our international payments and the loss of gold are somewhat remote from the everyday affairs and activities of most businessmen, the Council believes that there is heightened concern in the business and financial community regarding U. S. balance of payments developments.

The actions of the Federal Reserve System designed to deal with this problem have been favorably received, especially the increase in the discount rate. There is some doubt, however, about the merit of the equalization tax proposed by the Treasury, although many persons were encouraged by the fact that specific action was being taken in an effort to cope with our payments difficulties.

As the Council has observed in the past, the solution to our balance of payments problem involves fiscal policy, overseas defense expenditures and foreign aid outlays which do not fall within the responsibility of the monetary authorities. Monetary policy alone can therefore not be expected to meet the problem of the deficit in our international payments. Nevertheless, the Council believes some further tightening of monetary policy might be desirable.

5. How does the Council evaluate the impact of current monetary and credit policy?

As suggested in Item IV, the Council believes that current monetary and credit policy has had a favorable impact on the financial and business community.

* * * * *

The Board would also like to have any views that the Council may care to express on the legislation that has been recommended to broaden the kinds of security on which credit can be advanced by the Federal Reserve banks. These recommendations were included in the Board's letter of August 21 to the Chairmen of the Senate and House Banking and Currency Committees.

The members of the Council believe that commercial bankers generally would strongly favor enactment of legislation designed to broaden the kinds of security on which credit can be advanced by the Federal Reserve banks.

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

September 17, 1963

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 J. L. Robertson, Chas. N. Shepardson, 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. George A. Murphy, President; Messrs. Lawrence H. Martin, L. A. Stoner, Robert B. Hobbs, J. Finley McRae, Kenneth V. Zwiener, Sidney Maestre, John A. Moorhead, Maurice L. Breidenthal, James W. Aston, Elliott McAllister, Herbert V. Prochnow, Secretary, and William J. Korsvik, Assistant Secretary.

Absent: Mr. Howard C. Petersen

President Murphy 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 24, 25 and 26 of these minutes. The members of the Council then commented on the business situation and the outlook in their respective districts.

The President then read the second item and the conclusions of the Council. The ensuing discussion, in which most members of the Council participated, disclosed that many commercial banks are continuing to aggressively seek time and savings balances. As a consequence of the growth of such funds, a markedly lesser degree of liquidity had been accepted by the banks.

In response to a question from Governor Mitchell, several members of the Council indicated that in their judgment bankers generally would not favor permitting the corporate use of savings accounts.

The President read the third item and the conclusion of the Council. A brief discussion followed in which most members of the Council participated.

The fourth and fifth items and the conclusions of the Council were then read by the President. In the discussion which followed both items were considered.

Governor Mitchell stated that many foreign observers advocated a more flexible fiscal policy including a tax cut, a larger deficit, increased government spending, together with a more restrictive monetary policy and higher interest rates.

Chairman Martin stated that the problem of real concern to the Federal Reserve was how much the System could contribute to a solution of the balance of payments problem. He observed that the Council seemed to endorse the recent increase in the discount rate. While there were some indications that the Euro-dollar market had reacted to the change in the rate, how much, if anything, the System's action had accomplished remained open to discussion. The Chairman added that he had consistently taken the position that interest rates should be as low as possible without producing inflation because that would induce the largest amount of capital formation. The balance of payments problem, however, was a complicating factor.

President Murphy then read the Council's response to the recommendations of the Board of Governors to the Chairmen of the Senate and House Banking and Currency Committees on the proposed legislation to broaden the kinds of security on which credit can be advanced by the Federal Reserve banks. President Murphy added that the Council felt that the legislative proposal was very constructive.

The meeting adjourned at 12:40 P.M.

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 16, 1963 at 9:30 a.m. in Room 932 of the Mayflower Hotel, Washington, D. C. All members of the Federal Advisory Council were present.

The Council approved the Secretary's notes for the meeting of May 20-21, 1963.

ITEM I

WHAT ARE THE VIEWS OF THE MEMBERS OF THE COUNCIL AS TO THE PROBABLE COURSE OF ECONOMIC ACTIVITY IN THE UNITED STATES DURING THE REMAINDER OF 1963 AND THE EARLY PART OF 1964? IN DISCUSSING THIS GENERAL QUESTION, THE COUNCIL MAY WISH TO COMMENT ON THE FOLLOWING ITEMS:

- (a) DO RECENT LEVELS OF RESIDENTIAL BUILDING ACTIVITY APPEAR TO BE FIRMLY BASED, AND IS FURTHER EXPANSION ANTICIPATED?
 - (b) DOES THE LIQUIDATION OF STEEL INVENTORIES ACQUIRED EARLIER THIS YEAR APPEAR TO HAVE ABOUT RUN ITS COURSE, OR IS FURTHER LIQUIDATION IN PROSPECT?
 - (c) HAS ANY IMPORTANT CHANGE BEEN OBSERVED RECENTLY IN PROSPECTS FOR PLANT AND EQUIPMENT EXPENDITURES?
 - (d) DOES THE COUNCIL CONTINUE OF THE OPINION, EXPRESSED AT ITS PREVIOUS MEETING WITH THE BOARD, THAT COMPETITIVE PRESSURES RESULTING FROM UNUSED DOMESTIC CAPACITY, AS WELL AS FROM MANUFACTURERS ABROAD, WILL TEND TO BE SUFFICIENT TO DISCOURAGE BROAD PRICE RISES IN THE RELATIVELY NEAR FUTURE?
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President Murphy read Item I and invited the members of the Council to comment. An extended discussion followed.

There was general agreement that economic activity in the United States during the remainder of 1963 and early part of 1964 will continue to increase moderately. Several members mentioned that they believe the current optimism in the business community was based in part on the anticipation of a tax cut. The failure, therefore, of a tax cut to materialize was one of the uncertainties in the current economic situation. The persistent deficit in our balance of payments was cited as another.

Several members were of the opinion that certain types of residential construction had been over-built in their areas. However, most members of the Council believe that the recent building of single family homes has been relatively firmly based. There was general agreement that the abundance of long-term funds seeking investment had contributed importantly to the strong expansion in apartment building. Several members felt this resulted in some speculative building of multi-family units. In contrast, a number of members reported a rather firm demand for apartments, particularly by the younger and older population groups. In general, residential construction probably will experience a sideways movement in the period ahead with no pronounced upward trend.

A discussion disclosed that the members of the Council are of the opinion that the liquidation of the steel inventories acquired earlier this year has about run its course.

There was wide agreement that the expectations of businessmen have improved since the last meeting with the Board. This, together with the increase in corporate cash flows, the gain in corporate profits, and the pressure to modernize for competitive cost reasons, enhances the prospects for an expansion in plant and equipment expenditures in the months ahead.

The members of the Council continue to believe that broad price rises are unlikely in the relatively near future. However, because of the expansion in production in recent months, our industrial plant is being more fully utilized. As a consequence, the competitive pressures from unused domestic capacity which have discouraged price advances in the past, have been reduced somewhat. Recent increases in productivity, on the other hand, tend to contribute to price stability.

ITEM II

DOES THE COUNCIL DETECT ANY SUBSTANTIAL SLACKENING IN BANK EFFORTS TO ATTRACT TIME AND SAVINGS DEPOSITS? ANY CHANGE IN THE PATTERN OF BANK INVESTMENT OF THESE SAVINGS INFLOWS?

Murphy read Item II. It was reported that banks are allocating less of their advertising budgets to savings departments, suggesting a somewhat less intensive effort to attract such funds. On the other hand, most members of the Council reported that they could see no slackening of effort in their districts. Aside from a few isolated instances, there was no general easing of rates paid for such funds.

A brief discussion on bank investment followed. As banks have reduced U. S. government portfolios and added substantially to their holdings of municipal securities and mortgages, bank liquidity has lessened. Several members of the Council felt, however, that this trend had gone about as far as it could. Consequently, changes in bank investment portfolios in the period ahead will tend to be less marked despite the fact that time and savings deposits will continue to account for a growing proportion of total deposits.

ITEM III

AS A RESULT OF HIGH LEVELS OF ACTIVITY AND OF CHANGES IN BUSINESS TAX LAWS, THE FLOW OF INTERNALLY GENERATED BUSINESS FUNDS HAS INCREASED SUBSTANTIALLY THIS YEAR, WHILE DEPENDENCE ON BANK AND MARKET FINANCING APPEARS TO HAVE DECLINED. DO THE MEMBERS OF THE COUNCIL EXPECT BUSINESS NEEDS FOR BANK FINANCING TO CONTINUE MODERATE OVER THE BALANCE OF THE YEAR OR ARE THERE SIGNS OF SIGNIFICANT INCREASE IN BUSINESS LOANS? DOES THE COUNCIL FEEL THAT BANKS, BY AND LARGE, ARE SUFFICIENTLY LIQUID TO MEET A MODERATE UPSURGE IN CREDIT DEMANDS WITHOUT SUBSTANTIAL PORTFOLIO REARRANGEMENT?

President Murphy read Item III. In the discussion which followed, the members of the Council indicated that they expect business needs for bank financing to increase seasonally over the balance of the year. Despite the decline in liquidity of the banking system, the Council believes the commercial banks are in a position to meet a moderate upsurge in credit demand without substantial portfolio re-arrangement.

ITEM IV

WHAT ARE THE COUNCIL'S OBSERVATIONS REGARDING CURRENT ATTITUDES IN THE BUSINESS AND FINANCIAL COMMUNITY TOWARD U. S. BALANCE OF PAYMENTS DEVELOPMENTS? HOW DOES THE COUNCIL APPRAISE THE GENERAL RECEPTION OF THE RECENT ACTIONS AND PROPOSALS DESIGNED TO DEAL WITH THIS PROBLEM?

President Murphy read Item IV. In the discussion which followed, it was generally agreed that there is a heightened concern in the business and financial community regarding U. S. balance of payments developments. It was reported that the recent actions of the Federal Reserve System designed to deal with the problem were favorably received, especially the increase in the discount rate. It was also reported that there is some doubt about the merit of the equalization tax proposed by the Treasury, although many persons were encouraged by the fact that specific action was being taken in an effort to cope with our payments difficulties. It was agreed that the Council should include in its comments the observation that the solution to our balance of payments problem involves fiscal policy, overseas defense expenditures, and foreign aid outlays. As these do not fall within the responsibility of the monetary authorities, monetary policy alone cannot be expected to meet the problem of the deficit in our international payments. Nevertheless, the Council believes some further tightening of monetary policy might be desirable.

ITEM V

HOW DOES THE COUNCIL EVALUATE THE IMPACT OF CURRENT MONETARY AND CREDIT POLICY?

President Murphy read Item V. As monetary policy had already been discussed in connection with the other items on the Agenda, the comments at this point were rather brief. It was agreed that

current monetary and credit policy has had a favorable impact on the financial and business community.

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A brief discussion followed on the legislation recommended by the Board to broaden the kinds of securities on which credit can be financed by the Federal Reserve banks. The members of the Council were of the opinion that commercial bankers generally would strongly favor enactment of this legislation. There was some doubt as to whether such advances would be done at a penalty rate or at the customary discount rate. It was decided to discuss this orally at the forthcoming meeting with the Board.

The meeting adjourned at 12:25 p.m.

THE COUNCIL CONVENED IN THE BOARD ROOM OF THE FEDERAL RESERVE BUILDING, WASHINGTON, D. C., AT 2:30 P.M., ON SEPTEMBER 16, 1963. ALL MEMBERS OF THE COUNCIL WERE PRESENT.

Dr. Ralph A. Young, Director, and members of the staff of the Division of International Finance, discussed The Brookings Report. A resume of the discussion is to be sent to the members of the Council at a later date.

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THE COUNCIL CONVENED AT 8:30 P.M. ON SEPTEMBER 16, 1963, IN ROOM 932 OF THE MAYFLOWER HOTEL. ALL MEMBERS OF THE COUNCIL WERE 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 September 17, 1963. The Memorandum was delivered to the Federal Reserve Building at 10:30 p.m. on September 16, 1963.

The meeting adjourned at 9:25 p.m.

MEMORANDUM TO THE BOARD OF GOVERNORS
FROM THE
FEDERAL ADVISORY COUNCIL
RELATIVE TO THE AGENDA FOR THE JOINT MEETING
ON SEPTEMBER 17, 1963

1. What are the views of the members of the Council as to the probable course of economic activity in the United States during the remainder of 1963 and the early part of 1964? In discussing this general question, the Council may wish to comment on the following items:
 - (a) Do recent levels of residential building activity appear to be firmly based, and is further expansion anticipated?
 - (b) Does the liquidation of steel inventories acquired earlier this year appear to have about run its course, or is further liquidation in prospect?
 - (c) Has any important change been observed recently in prospects for plant and equipment expenditures?
 - (d) Does the Council continue of the opinion, expressed at its previous meeting with the Board, that competitive pressures resulting from unused domestic capacity, as well as from manufacturers abroad, will tend to be sufficient to discourage broad price rises in the relatively near future?

The members of the Council anticipate that economic activity in the United States during the remainder of 1963 and the early part of 1964 will continue to increase moderately. The persistent deficit in our balance of payments, the reaction which might occur if a tax cut did not materialize and the fact that the current period of expansion has already run over 2-1/2 years are some uncertainties in the current economic situation.

(a) While certain types of residential construction in particular areas of the country have been overbuilt, most members of the Council believe that the recent building of single family homes has been relatively firmly based.

One of the facts involved in the strong expansion in apartment building has been the abundance of long-term funds seeking investment. This probably has resulted in some speculative building of multi-family units. On the other hand, in many areas of the country there is a demand

for apartments, particularly by the younger and older population groups. In general, residential construction will probably experience a sideways movement with no pronounced upward trend.

(b) The members of the Council are of the opinion that the liquidation of steel inventories acquired earlier this year has about run its course.

(c) The expectations of businessmen have improved since the last meeting with the Board in May. This change in sentiment increases the prospects for an expansion in plant and equipment expenditures in the months ahead.

(d) The Council continues to believe that broad price rises are unlikely in the relatively near future. However, the substantial rise in production since May reduces somewhat the competitive pressures resulting from unused domestic capacity which have discouraged price advances in the past. Recent increases in productivity tend to contribute to price stability.

2. Does the Council detect any substantial slackening in bank efforts to attract time and savings deposits? Any change in the pattern of bank investment of these savings inflows?

The members of the Council believe that banks are making a somewhat less intensive effort to attract time and savings deposits. However, this has not been reflected in an easing of rates paid for such funds.

The changes in Regulation Q were interpreted by many commercial bankers as an indication that the monetary authorities would permit them to pay competitive rates in the money markets. Those funds sensitive to changes in yields in the money market would therefore be less apt to move out of the banking system. Many bankers felt that their need for liquidity had been lessened somewhat, and they changed their investment policies by adding substantially to their holdings of municipal securities and mortgages. Although the members of the Council believe that time and savings deposits in the future will account for an increasing percentage of total deposits, the rate of increase will not be as sharp as in the past two years. As a consequence, changes in bank investment portfolios will tend to be less marked.

3. As a result of high levels of activity and of changes in business tax laws, the flow of internally generated business funds has increased substantially this year, while dependence on bank and market financing appears to have declined. Do the members of the Council expect business needs for bank financing to continue moderate over the balance of the year or are there signs of significant increase in business loans?

Does the Council feel that banks, by and large, are sufficiently liquid to meet a moderate upsurge in credit demands without substantial portfolio re-arrangement?

The members of the Council expect business needs for bank financing to increase seasonally over the balance of the year. While the liquidity of the banking system has declined, the Council believes that the commercial banks are in a position to meet a moderate upsurge in credit demands without substantial portfolio rearrangement.

- 4. What are the Council's observations regarding current attitudes in the business and financial community toward U. S. balance of payments developments? How does the Council appraise the general reception of the recent actions and proposals designed to deal with this problem?

Although the persistent deficit in our international payments and the loss of gold are somewhat remote from the everyday affairs and activities of most businessmen, the Council believes that there is heightened concern in the business and financial community regarding U. S. balance of payments developments.

The actions of the Federal Reserve System designed to deal with this problem have been favorably received, especially the increase in the discount rate. There is some doubt, however, about the merit of the equalization tax proposed by the Treasury, although many persons were encouraged by the fact that specific action was being taken in an effort to cope with our payments difficulties.

As the Council has observed in the past, the solution to our balance of payments problem involves fiscal policy, overseas defense expenditures and foreign aid outlays which do not fall within the responsibility of the monetary authorities. Monetary policy alone can therefore not be expected to meet the problem of the deficit in our international payments. Nevertheless, the Council believes some further tightening of monetary policy might be desirable.

- 5. How does the Council evaluate the impact of current monetary and credit policy?

As suggested in Item IV, the Council believes that current monetary and credit policy has had a favorable impact on the financial and business community.

The Board would also like to have any views that the Council may care to express on the legislation that has been recommended to broaden the kinds of security on which credit can be advanced by the Federal Reserve banks. These recommendations were included in the Board's letter of August 21 to the Chairmen of the Senate and House Banking and Currency Committees.

The members of the Council believe that commercial bankers generally would strongly favor enactment of legislation designed to broaden the kinds of security on which credit can be advanced by the Federal Reserve banks.

ON SEPTEMBER 17, 1963, 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. HOWARD C. PETERSEN WHO WAS CALLED HOME BECAUSE OF AN AUTOMOBILE ACCIDENT INVOLVING HIS SON.

THE FOLLOWING MEMBERS OF THE BOARD OF GOVERNORS WERE PRESENT: CHAIRMAN MARTIN, VICE CHAIRMAN BALDERSTON, GOVERNORS ROBERTSON, SHEPARDSON 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 12:40 p.m.

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The next meeting of the Council will be November 18-19, 1963.