

MINUTES OF THE MEETING OF THE FEDERAL ADVISORY COUNCIL

April 22, 1964

The second statutory meeting of the Federal Advisory Council for 1964 was convened in Room 932 of the Mayflower Hotel, Washington, D. C., on April 22, 1964, at 9:30 A.M.

Present:

Lawrence H. Martin	District No. 1
William H. Moore	District No. 2
William L. Day	District No. 3
L. A. Stoner	District No. 4
John F. Watlington, Jr.	District No. 5
J. Finley McRae	District No. 6
Edward B. Smith	District No. 7
James P. Hickok	District No. 8
Henry T. Rutledge, Alternate	District No. 9
Maurice L. Breidenthal	District No. 10
James W. Aston	District No. 11
Ransom M. Cook	District No. 12
Herbert V. Prochnow	Secretary
William J. Korsvik	Assistant Secretary

Absent:

John A. Moorhead	District No. 9
------------------	----------------

On motion duly made and seconded, the mimeographed notes of the meeting held on February 17-18, 1964, 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 of the Federal Advisory Council*, which follows on pages 17, 18 and 19.

The meeting adjourned at 12:40 P.M.

HERBERT V. PROCHNOW
Secretary

WILLIAM J. KORSVIK
Assistant Secretary

MINUTES OF THE MEETING OF THE FEDERAL ADVISORY COUNCIL

April 22, 1964

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

Present: Mr. James W. Aston, Vice President; Messrs. Lawrence H. Martin, William H. Moore, William L. Day, L. A. Stoner, John F. Watlington, Jr., J. Finley McRae, Edward B. Smith, James P. Hickok, Henry T. Rutledge, Alternate for Mr. John A. Moorhead; Messrs. Maurice L. Breidenthal, and Ransom M. Cook.

Absent: Mr. John A. Moorhead.

Members of the Board's staff, Division of Research and Statistics, discussed current economic developments. An outline of the presentation was forwarded to each member of the Council.

HERBERT V. PROCHNOW
Secretary

WILLIAM J. KORSVIK
Assistant Secretary

MINUTES OF THE MEETING OF THE FEDERAL ADVISORY COUNCIL

April 22, 1964

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

Present: Mr. James W. Aston, Vice President; Messrs. Lawrence H. Martin, William H. Moore, William L. Day, L. A. Stoner, John F. Watlington, Jr., J. Finley McRae, Edward B. Smith, James P. Hickok, Henry T. Rutledge, Alternate for Mr. John A. Moorhead; Messrs. Maurice L. Breidenthal, Ransom M. Cook, Herbert V. Prochnow, Secretary, and William J. Korsvik, Assistant Secretary.

Absent: Mr. John A. Moorhead.

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 17, 18 and 19, listing the Agenda items with the conclusions reached by the Council. The *Memorandum* was delivered to the Federal Reserve Building at 11:15 P.M. on April 22, 1964.

The meeting adjourned at 10:35 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 APRIL 23, 1964

1. Economic conditions and prospects.

- A. What are the views of the Council on the economic outlook for the remainder of this year? Have the members observed as yet any significant effects of the recently enacted tax cut on consumer spending and attitudes or on business fixed investment spending or plans? To what extent does it appear that the stimulative effect of the tax cut is likely to be offset by tax increases at the State and local levels?

The Council anticipates that economic activity during the remainder of the year will continue to expand strongly. The members have not yet observed any significant effect, other than psychological, from the recently enacted tax cut. While consumer attitudes continue favorable, spending has not shown any unusual spurt. The members of the Council have likewise not detected a step-up in business fixed investment spending resulting from the tax cut, although there have been reports of some expansion in capital investment plans. Tax increases on the State and local levels will only slightly offset the stimulative effect of the tax cut.

- B. How does the Council view the prospects for continuing price stability? Are there signs of speculative tendencies in credit markets, land, common stocks, and other capital assets, or in commodities?

The Council believes that some upward pressure on prices is developing. As a consequence, it is doubtful that the relative price stability of the past several years will continue. The outcome of the forthcoming wage negotiations will have an important bearing on these trends. Although there are no indications of widespread speculative tendencies, there are some evidences of speculative activity and the excessive use of credit, particularly in land and certain types of construction in various areas.

- C. Does ample capacity appear still to be available in most major industries? Are there indications of inventory overbuilding in anticipation of higher prices and/or supply interruptions because of strikes?

The members of the Council believe there is capacity available in most major industries that will permit some additional increase in output, but probably only at higher

unit costs. The gap between output and capacity is narrowing. Other than the build-up of automobile inventories, the reasons for which are variously interpreted, the members of the Council so far have observed few signs of inventory overbuilding in anticipation of higher prices and/or interruptions because of strikes. However, an acceleration in the accumulation of inventories will occur if businessmen anticipate rising prices in the months immediately ahead.

2. Banking developments.

- A. What is the Council's judgment regarding domestic and foreign loan demands over the rest of this year?

Although the domestic loan demand is currently somewhat below expectations, the Council believes that future demand will reflect the rising level of business activity that is now anticipated. The demand for foreign loans continues strong, especially for loans with a maturity of 2 years and 11 months. With the expected expansion in domestic loan demand and with the reserve position of the commercial banks less easy than it was last year, the banks may find it more difficult to accommodate foreign borrowers.

- B. Have Council members observed any changes in customer demands for term loans, or in the willingness of banks to grant such loans?

The demand for term loans continues. The members of the Council have not observed any change in the willingness of banks to grant such credits. In fact, some members report that the competition for these credits has become more intense with some tendency for rates and terms to soften.

- C. What are the Council's observations regarding the likely trend of interest rates during the rest of 1964?

The members of the Council anticipate that interest rates will drift upward in the months ahead. However, if the tax cut does sharply stimulate consumer demand, inventory accumulation will be accelerated, production schedules stepped up, and capital investment expanded. In these circumstances, credit demand would increase sharply and the interest rate structure would be under upward pressure.

- D. Do Council members have comments on recent developments in regard to the issuance of negotiable certificates of deposit?

Since the last meeting of the Board and the Council the interest rates paid on negotiable certificates of deposit are pressing the 4 per cent ceiling. Although there is

some concern about the impact on the volume of negotiable certificates of deposit if the yield on Treasury bills and other short-term interest rates should move up further, the consensus of the members of the Council is that the ceiling should not be raised at this time.

3. What is the current status of the exchange absorption problem?

The members of the Council strongly favor a continuation of the Federal Reserve interpretation that the absorption of exchange charges is, in fact, a payment of interest on demand deposits and therefore should be prohibited. The Council is aware of the awkwardness of the present situation but believes abandonment by the Federal Reserve of its long-held position would not be in the best interests of the banking system or of the public at large.

4. What are the Council's views regarding the appropriateness of recent monetary and credit policy?

The Council believes recent monetary and credit policy has been a major factor in the expansion of the economy to its present high level. However, in view of the current volume of business activity, and the anticipated additional stimulation from the tax cut, the possibility of a renewal of wage-cost increases, and the probable pressures on prices, the Council believes that monetary and credit policy should now move gradually in the direction of restraint.

* * * *

The Council believes that bankers generally favor the proposal of substituting a book-entry procedure for the procedure currently followed by the Reserve Banks in holding Government securities in safekeeping or as collateral.

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

April 23, 1964

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.

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

Chairman Wm. McC. Martin, Jr.; Vice Chairman C. Canby Balderston; Governors A. L. Mills, Jr., J. L. Robertson, Chas. N. Shepardson, George W. Mitchell and J. Dewey Daane; 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. James W. Aston, Vice President; Messrs. Lawrence H. Martin, William H. Moore, William L. Day, L. A. Stoner, John F. Watlington, Jr., J. Finley McRae, Edward B. Smith, James P. Hickok, Henry T. Rutledge, Alternate for Mr. John A. Moorhead; Messrs. Maurice L. Breidenthal, Ransom M. Cook, Herbert V. Prochnow, Secretary, and William J. Korsvik, Assistant Secretary.

Absent: Mr. John A. Moorhead.

Also present: Mr. Edward A. Wayne, President of the Federal Reserve Bank of Richmond, Virginia.

Vice President Aston presided in the absence of President Moorhead.

Vice President Aston stated, in response to an inquiry from the Board directed to the Council, that bankers generally favor the proposal of substituting a book entry procedure for the one currently followed by the reserve banks in holding government securities in safekeeping or as collateral. As extended discussion followed in which members of the Council indicated their approval and asked certain questions relating to the procedure.

Mr. Wayne, as Chairman of the Committee on Fiscal Agency Operations of the Conference of Presidents of the Federal Reserve Banks, addressed himself to the Council's comments.

Vice President Aston then read the items on the Agenda and the conclusions of the Council as expressed in the *Confidential Memorandum to the Board of Governors from the Federal Advisory Council* as printed on pages 17, 18 and 19. In the extended dis-

cussion which followed, the members of the Board of Governors directed questions, relating to the items on the Agenda, to the Council. Among these was one from Governor Balderston inquiring about the quality of credit. While the members of the Council did acknowledge that there had been some relaxation of quality standards, the consensus was that loan portfolios of the commercial banks were sound.

Chairman Martin inquired whether there was an implication in the Council's statement that recent monetary and credit policy had been too easy. The Council indicated that this was not correct.

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 April 22, 1964, 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 Mr. Moorhead. Mr. Henry T. Rutledge, Executive Vice President, Northwestern National Bank, Minneapolis, Minnesota, attended as Alternate.

The Council approved the Secretary's notes for the meeting of February 17-18, 1964.

Mr. James W. Aston, Vice President of the Council, presided in the absence of President Moorhead.

Vice President Aston reported on a telephone conversation between Merritt Sherman, Secretary of the Board of Governors, and the office of the Secretary of the Council. Mr. Sherman stated he had received inquiries from members of the Council regarding the distribution of the outline or report of the Board's Staff presentation. Mr. Sherman emphasized that these presentations are confidential and that the reports of them are prepared and distributed for the personal use of the members of the Council. The same was true, Mr. Sherman added, about the joint minutes of the Board and the Council, though here he was somewhat less adamant. The conversation then turned to the distribution of the Council's Memorandum to the Board of Governors. The distribution of the Memorandum was entirely a matter of the Council, although Mr. Sherman said he understood that the distribution of the Memorandum had been largely limited to the members of the Council.

After an extended discussion, it was concluded that the Secretary of the Council should discuss this matter at greater length with the Secretary of the Board of Governors and prepare a memorandum for distribution to the members of the Council in advance of the next meeting.

ITEM I A

Economic conditions and prospects.

- A. WHAT ARE THE VIEWS OF THE COUNCIL ON THE ECONOMIC OUTLOOK FOR THE REMAINDER OF THIS YEAR? HAVE THE MEMBERS OBSERVED AS YET ANY SIGNIFICANT EFFECTS OF THE RECENTLY ENACTED TAX CUT ON CONSUMER SPENDING AND ATTITUDES OR ON BUSINESS FIXED INVESTMENT SPENDING OR PLANS? TO WHAT EXTENT DOES IT APPEAR THAT THE STIMULATIVE EFFECT OF THE TAX CUT IS LIKELY TO BE OFFSET BY TAX INCREASES AT THE STATE AND LOCAL LEVELS?

Vice President Aston then read Item I A and invited the members of the Council to give their views. An extended discussion followed. The members were fairly unanimous in their judgment that economic activity during the remainder of the year will continue to expand strongly. Several members stated that too little time had passed since the enactment of the tax cut for it to have any observable effect other than psychological. Thus, while the members reported that consumer attitudes were favorable, spending has not shown any unusual spurt. Likewise, they have not detected any step-up in business fixed investment spending, although several reported some expansion in capital investment plans.

Tax increases at the state and local level are widespread. However, the members of the Council felt these were not related to the reduction in federal taxes, but rather were a continuation of a trend that long has been underway. They thought that the increases in state and local taxes will only slightly offset the stimulative effect of the tax cut.

ITEM I B

- B. HOW DOES THE COUNCIL VIEW THE PROSPECTS FOR CONTINUING PRICE STABILITY? ARE THERE SIGNS OF SPECULATIVE TENDENCIES IN CREDIT MARKETS, LAND, COMMON STOCKS, AND OTHER CAPITAL ASSETS, OR IN COMMODITIES?
-

Vice President Aston read Item I B. A discussion followed in which all members participated. There was some evidence, the Council concluded, of the development of upward pressures on prices. As a consequence, the members felt that it was doubtful that the relative price stability of the past several years will continue. Several members emphasized that the forthcoming wage negotiations will have an influence on these trends. The members reported little or no evidence of any widespread speculative tendencies, although several mentioned some speculative activity including the excessive use of credit in land and certain types of construction in various areas of the country.

ITEM I C

- C. DOES AMPLE CAPACITY APPEAR STILL TO BE AVAILABLE IN MOST MAJOR INDUSTRIES? ARE THERE INDICATIONS OF INVENTORY OVER-BUILDING IN ANTICIPATION OF HIGHER PRICES AND/OR SUPPLY INTERRUPTIONS BECAUSE OF STRIKES?
-

Vice President Aston read Item I C. A brief discussion of this item followed. The Council tended to agree with the view expressed by one member that capacity was adequate but not ample. Furthermore, while some additional increases in output were possible, it would probably be at higher unit costs as the remaining capacity was probably less efficient than that presently in use. Other than the build-up of automobile inventories, the reasons for which are variously interpreted, the members of the Council reported few signs of inventory over-building in anticipation of higher prices and/or interruptions by strikes. Some acceleration in the accumulation of inventory is possible, however, if it appears that price rises are

ITEM II A

Banking developments.

- A. WHAT IS THE COUNCIL'S JUDGMENT REGARDING DOMESTIC AND FOREIGN LOAN DEMANDS OVER THE REST OF THIS YEAR?
- B. HAVE COUNCIL MEMBERS OBSERVED ANY CHANGES IN CUSTOMER DEMANDS FOR TERM LOANS, OR IN THE WILLINGNESS OF BANKS TO GRANT SUCH LOANS?

Vice President Aston then read Item II A and B.

There was general agreement that the domestic loan demand is strong, though somewhat below expectations. The members anticipate that future demand will reflect the rising level of business. The demand for foreign loans continues strong, especially for loans with a maturity of 2 years and 11 months. While the situation will vary from bank to bank, the members tended to believe that the banking system will probably find it more difficult to accommodate foreign borrowers this year.

There were varying opinions as to the strength of the demand for term loans. The members concluded, however, that they had observed no change in the willingness of banks to grant such credits. As a matter of fact, because of the increasing competition between banks and other financial institutions for these credits, there has been some tendency for rates and terms to soften.

ITEM II C

- C. WHAT ARE THE COUNCIL'S OBSERVATIONS REGARDING THE LIKELY TREND OF INTEREST RATES DURING THE REST OF 1964?

Vice President Aston read Item II C. There was general agreement among the members of the Council that interest rates will drift upward in the months ahead. However, if the tax cut should greatly stimulate economic activity, credit demand would increase sharply and interest rates in these circumstances would be under upward pressure.

ITEM II D

- D. DO COUNCIL MEMBERS HAVE COMMENTS ON RECENT DEVELOPMENTS IN REGARD TO THE ISSUANCE OF NEGOTIABLE CERTIFICATES OF DEPOSIT?

Vice President Aston then read Item II D. The interest rates paid on negotiable certificates of deposit are pressing the 4 per cent ceiling. Thus, there continues to be concern about the impact on the volume of such certificates if the yield on Treasury bills and other short-term interest rates should move up further. The consensus of the members of the Council, however, is that the ceiling should not be raised at this time.

ITEM III

WHAT IS THE CURRENT STATUS OF THE EXCHANGE ABSORPTION PROBLEM?

Vice President Aston read Item III. The members from Districts 5 and 9 reported at length as most of the non-par banks are located in these areas.

The Council strongly favors a continuation of the Federal Reserve interpretation that the absorption of exchange charges is, in fact, a payment of interest on demand deposits and therefore should be prohibited. Several members pointed out the awkwardness of the present situation. It was concluded, however, that the abandonment by the Federal Reserve of its long held position would not be in the best interests of the banking system or of the public at large.

ITEM IV

WHAT ARE THE COUNCIL'S VIEWS REGARDING THE APPROPRIATENESS OF RECENT MONETARY AND CREDIT POLICY?

Vice President Aston then read Item IV. In the discussion of this item there was wide agreement that the Council should support Chairman Martin in his concern about developments in the credit markets and the possible emergence of inflationary pressures. Accordingly, it was decided to suggest that in view of the current volume of business activity, the anticipated additional stimulation from the tax cut, the possibility of a renewal of wage cost increases, and the probable pressures on prices, that monetary and credit policy should now move gradually in the direction of restraint.

* * * * *

There followed a brief discussion on the proposal of substituting a book-entry procedure for the procedure currently followed by the Reserve Banks in holding Government securities in safekeeping or as collateral.

The members reported that bankers generally favor the proposal, although there were some details that would require attention before the plan was put into effect.

After a brief discussion, it was tentatively decided that the next meeting of the Council would be September 21-22, 1964.

The meeting adjourned at 12:40 P.M.

CONFIDENTIAL

MEMORANDUM TO THE BOARD OF GOVERNORS
FROM THE
FEDERAL ADVISORY COUNCIL
RELATIVE TO THE AGENDA FOR THE JOINT MEETING
ON APRIL 23, 1964

1. Economic conditions and prospects.

- A. What are the views of the Council on the economic outlook for the remainder of this year? Have the members observed as yet any significant effects of the recently enacted tax cut on consumer spending and attitudes or on business fixed investment spending or plans? To what extent does it appear that the stimulative effect of the tax cut is likely to be offset by tax increases at the State and local levels?

The Council anticipates that economic activity during the remainder of the year will continue to expand strongly. The members have not yet observed any significant effect, other than psychological, from the recently enacted tax cut. While consumer attitudes continue favorable, spending has not shown any unusual spurt. The members of the Council have likewise not detected a step-up in business fixed investment spending resulting from the tax cut, although there have been reports of some expansion in capital investment plans. Tax increases on the State and local levels will only slightly offset the stimulative effect of the tax cut.

- B. How does the Council view the prospects for continuing price stability? Are there signs of speculative tendencies in credit markets, land, common stocks, and other capital assets, or in commodities?

The Council believes that some upward pressure on prices is developing. As a consequence, it is doubtful that the relative price stability of the past several years will continue. The outcome of the forthcoming wage negotiations will have an important bearing on these trends. Although there are no indications of widespread speculative tendencies, there are some evidences of speculative activity and the excessive use of credit, particularly in land and certain types of construction in various areas.

- C. Does ample capacity appear still to be available in most major industries? Are there indications of inventory overbuilding in anticipation of higher prices and/or supply interruptions because of strikes?

The members of the Council believe there is capacity available in most major industries that will permit some additional increase in output, but probably only at higher unit costs. The gap between output and capacity is narrowing. Other than the build-up of automobile inventories, the reasons for which are variously interpreted, the members of the Council so far have observed few signs of inventory overbuilding in anticipation of higher prices and/or interruptions because of strikes. However, an acceleration in the accumulation of inventories will occur if businessmen anticipate rising prices in the months immediately ahead.

2. Banking developments.

- A. What is the Council's judgment regarding domestic and foreign loan demands over the rest of this year?

Although the domestic loan demand is currently somewhat below expectations, the Council believes that future demand will reflect the rising level of business activity that is now anticipated. The demand for foreign loans continues strong, especially for loans with a maturity of 2 years and 11 months. With the expected expansion in domestic loan demand and with the reserve position of the commercial banks less easy than it was last year, the banks may find it more difficult to accommodate foreign borrowers.

- B. Have Council members observed any changes in customer demands for term loans, or in the willingness of banks to grant such loans?

The demand for term loans continues. The members of the Council have not observed any change in the willingness of banks to grant such credits. In fact, some members report that the competition for these credits has become more intense with some tendency for rates and terms to soften.

- C. What are the Council's observations regarding the likely trend of interest rates during the rest of 1964?

The members of the Council anticipate that interest rates will drift upward in the months ahead. However, if the tax cut does sharply stimulate consumer demand, inventory accumulation will be accelerated, production schedules stepped up, and capital investment expanded. In these circumstances, credit demand would increase sharply and the interest rate structure would be under upward pressure.

- D. Do Council members have comments on recent developments in regard to the issuance of negotiable certificates of deposit?

Since the last meeting of the Board and the Council the interest rates paid on negotiable certificates of deposit are pressing the 4 per cent ceiling. Although there is some concern about the impact on the volume of negotiable certificates of deposit if the yield on Treasury bills and other short-term interest rates should move up further, the consensus of the members of the Council is that the ceiling should not be raised at this time.

3. What is the current status of the exchange absorption problem?

The members of the Council strongly favor a continuation of the Federal Reserve interpretation that the absorption of exchange charges is, in fact, a payment of interest on demand deposits and therefore should be prohibited. The Council is aware of the awkwardness of the present situation but believes abandonment by the Federal Reserve of its long-held position would not be in the best interests of the banking system or of the public at large.

4. What are the Council's views regarding the appropriateness of recent monetary and credit policy?

The Council believes recent monetary and credit policy has been a major factor in the expansion of the economy to its present high level. However, in view of the current volume of business activity, and the anticipated additional stimulation from the tax cut, the possibility of a renewal of wage-cost increases, and the probable pressures on prices, the Council believes that monetary and credit policy should now move gradually in the direction of restraint.

* * * *

The Council believes that bankers generally favor the proposal of substituting a book-entry procedure for the procedure currently followed by the Reserve Banks in holding Government securities in safekeeping or as collateral.

ON APRIL 23, 1964, 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. MOORHEAD. MR. HENRY T. RUTLEDGE, EXECUTIVE VICE PRESIDENT, NORTHWESTERN NATIONAL BANK, MINNEAPOLIS, MINNESOTA, ATTENDED AS ALTERNATE.

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

MR. EDWARD A WAYNE, PRESIDENT OF THE FEDERAL RESERVE BANK OF RICHMOND, ALSO ATTENDED DURING THE DISCUSSION OF THE PROPOSAL OF SUBSTITUTING A BOOK-ENTRY PROCEDURE FOR THE PROCEDURE CURRENTLY FOLLOWED BY THE RESERVE BANKS IN HOLDING GOVERNMENT SECURITIES IN SAFEKEEPING OR AS COLLATERAL.

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 reproduced and distributed to the members of the Council.

The meeting adjourned at 12:45 P.M.

* * * *

The next meeting of the Council was tentatively set for September 21-22, 1964.