MINUTES OF THE MEETING OF THE FEDERAL ADVISORY COUNCIL

June 20, 1966

The second statutory meeting of the Federal Advisory Council for 1966 was convened in Executive Chamber #2 of The Madison, Washington, D.C., on June 20, 1966, at 9:30 A.M.

Present:

John Simmen	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
Sam M. Fleming	District No. 6
Henry T. Bodman	District No. 7
A. M. Brinkley, Jr.	District No. 8
John A. Moorhead	District No. 9
Roger D. Knight, Jr.	District No. 10
Robert H. Stewart, III	District No. 11
Frank L. King, Alternate	District No. 12
Herbert V. Prochnow	Secretary
William J. Korsvik	Assistant Secretary

Absent:

Ransom M. Cook	District No. 12

On motion duly made and seconded, the mimeographed notes of the meeting held on February 14-15, 1966, 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 14, 15, 16, and 17.

The meeting adjourned at 12:20 P.M.

HERBERT V. PROCHNOW
Secretary

WILLIAM J. KORSVIK
Assistant Secretary

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MINUTES OF THE MEETING OF THE FEDERAL ADVISORY COUNCIL

June 20, 1966

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

Present: Mr. John A. Moorhead, President; Messrs. John Simmen, William H. Moore, William L. Day, L. A. Stoner, John F. Watlington, Jr., Sam M. Fleming, Henry T. Bodman, A. M. Brinkley, Jr., Roger D. Knight, Jr., Robert H. Stewart, III, and Frank L. King, Alternate for Mr. Ransom M. Cook.

Absent: Mr. Ransom M. Cook

Members of the Board's staff participated in an audio-visual presentation on domestic and international economic conditions.

HERBERT V. PROCHNOW
Secretary

WILLIAM J. KORSVIK
Assistant Secretary

June 20, 1966

At 5:30 P.M., the Federal Advisory Council reconvened in Executive Chamber #2 of The Madison, Washington, D.C.

Present: Mr. John A. Moorhead, President; Messrs. John Simmen, William H. Moore, William L. Day, L. A. Stoner, John F. Watlington, Jr., Sam M. Fleming, Henry T. Bodman, A. M. Brinkley, Jr., Roger D. Knight, Jr., Robert H. Stewart, III, Frank L. King, Alternate for Mr. Ransom M. Cook, Herbert V. Prochnow, Secretary, and William J. Korsvik, Assistant Secretary.

Absent: Mr. Ransom M. Cook

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 14, 15, 16 and 17, listing the Agenda items with the conclusions reached by the Council. The *Memorandum* was delivered to the Federal Reserve Building at 9:30 P.M. on June 20, 1966.

The meeting adjourned at 7:00 P.M.

HERBERT V. PROCHNOW
Secretary

WILLIAM J. KORSVIK
Assistant Secretary

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CONFIDENTIAL

MEMORANDUM TO THE BOARD OF GOVERNORS

FROM THE

FEDERAL ADVISORY COUNCIL
RELATIVE TO THE AGENDA FOR THE JOINT MEETING
ON JUNE 21, 1966

1. Economic conditions and prospects.

A. How does the Council appraise prospects for consumer spending and for consumer and industrial prices at mid-1966?

The Council anticipates that consumer spending will continue to rise, reflecting present high levels of employment and the continued upward trend of personal income. There is evidence that the rate of rise has moderated slightly from the very rapid pace that characterized the early part of the year. While numerous factors may be contributing to this development, it is possible that the increase in the Social Security tax that became effective January 1, together with the reimposition of excise taxes, and the accelerated tax collection program effective May 1, may have caused some reappraisal of consumer savings-spending patterns.

Although consumer prices probably will continue to edge up, the rise may be affected somewhat by lower food prices at the retail level. Food prices at the wholesale level showed a modest decline between February and May. Most members of the Council anticipate that industrial prices will be under increasing upward pressure.

B. Have Council members observed any significant recent changes in business plans for capital expenditures in response to the President's request or in response to tighter conditions in markets for labor, materials, and credit? Have there been any significant changes in inventory policies?

The members of the Council have not observed any significant change in business expenditures in response to the President's request. There is some fragmentary evidence that tighter conditions in the markets for labor, materials, and credit and the resulting increases in costs may tend to slow the rate of rise in capital expenditures. It is difficult to detect any important change in inventory policies. On the other hand, the recent slight decline in retail sales and, in particular, automobiles, may cause businessmen to be less aggressive in building inventories.

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2. Banking developments.

A. What does the Council anticipate as to near-term business demands for bank credit? Do the members expect banks to have difficulty in meeting such demands?

The members of the Council anticipate a continued strong demand for bank credit. To an increasing extent, banks have been rationing credit in recent months and will have difficulty in meeting the expected strong demand for credit in the remaining months of the year.

B. How much tightening of bank lending policies has taken place since last winter? Has the ABA checklist to guide selection of loans been effective in this regard?

Bank lending policies are considerably tighter than they were last winter. The ABA checklist has been helpful. Moreover, because the period of tight money and higher interest rates has continued for several months, some would-be borrowers may have been discouraged from making loan requests other than those which they believed would receive favorable consideration.

C. How have recent developments affected the ability and willingness of banks to attract funds through issuance of large-denomination negotiable CD's? Through issuance of small-denomination consumer-type CD's?

Despite the pressures in the credit markets, the banks in the money centers have been able to attract a slowly rising volume of funds through the issuance of negotiable CD's. To obtain the funds, however, banks have had to step-up the rates and/or shorten the maturities. Members of the Council believe that the small-denomination consumer-type CD's have been helpful in enabling the banks to attract and retain bank passbook-type savings funds. There has been only a relatively small increase in total consumer savings.

D. What are the views of Council members regarding the desirability, and the possible effects, of various recent legislative proposals for limiting CD issuance by reducing time deposit interest rate ceilings applicable to certificates below certain maturities or denominations?

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The Members of the Council do not look with favor on recent legislative proposals for limiting the issuance of CD's by reducing interest rate ceilings. The Council knows of no persuasive evidence that a substantial volume of savings has flowed into the commercial banks from other financial institutions. On the contrary, there are indications that savings have been attracted to equities and higher yielding, fixed income obligations such as those issued by the Federal agencies.

E. How would the Council appraise the current state of the mortgage and consumer credit markets?

The Council believes that restrictive monetary policy, with the resulting rise in interest rates, has had an important impact on the mortgage credit markets. There is less indication so far of any significant direct affect on consumer credit markets. However, recent increases in instalment credit rates may have a more far-reaching impact on consumer credit markets. To the extent that demand has moderated as a result of these developments, and the pressures on the relatively limited supply of resources eased, monetary policy will succeed in achieving one of its objectives.

3. Balance of Payments

A. Does the Council believe that the reduction in foreign lending by U.S. banks is due mainly to (a) general monetary conditions, (b) the voluntary foreign credit restraint program, or (c) other factors?

The Council believes that the reduction in foreign lending by U.S. banks largely reflects general monetary conditions including the pressure of domestic demand, and to some extent, the voluntary foreign credit restraint program.

The slowing in the pace of economic activity in Japan, for example, was one of the other factors accounting for some reduction in foreign lending by U.S. banks.

B. Does the Council believe that any significant amount of export financing is being refused because of the voluntary foreign credit restraint program or because of general monetary conditions?

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The members of the Council are not aware that any significant amount of export financing is being refused either because of the voluntary foreign credit restraint program or because of general monetary conditions.

C. What is the Council's view regarding the outlook for foreign lending by banks during the remainder of 1966?

The Council does not anticipate any substantial increase in foreign lending by banks during the remainder of 1966.

4. What are the Council's views on monetary and credit policy under current circumstances?

The members of the Council believe that the gradually increasing restraint that has characterized credit and monetary policy in the recent past should be continued. Although there are indications that economic activity seems to have moderated somewhat from the pace of the early months of the year, it is not clear that demand has slowed sufficiently to moderate the pressures on resources and on the price level in general. Accordingly, a continuation of the policy of gradually increasing restraint is warranted. However, the approaching July 1 savings interest period may be marked by unusual activity and shifts of funds requiring temporary policy adjustments over this period.

To deal effectively with inflationary pressures in an economy, it is necessary to pursue a policy not only of monetary restraint but also of fiscal restraint.

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

June 21, 1966

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, J. L. Robertson; Governors Sherman J. Maisel and Andrew F. Brimmer; also Mr. Merritt Sherman, Secretary, and Mr. Karl E. Bakke, Assistant Secretary, of the Board of Governors.

Present: Members of the Federal Advisory Council:

Mr. John A. Moorhead, President; Messrs. John Simmen, William H. Moore, William L. Day, L. A. Stoner, John F. Watlington, Jr., Sam M. Fleming, Henry T. Bodman, A. M. Brinkley, Jr., Roger D. Knight, Jr., Robert H. Stewart, III, Frank L. King, Alternate for Mr. Ransom M. Cook, Herbert V. Prochnow, Secretary, and William J. Korsvik, Assistant Secretary.

Absent: Mr. Ransom M. Cook

President Moorhead read the first item 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 14, 15, 16 and 17. A brief discussion followed.

The President of the Council then read the second item on the Agenda. A long discussion followed. President Moorhead added that in his opinion banks had generally reached levels close to reasonable utilization limits and that the demand for more credit could be accommodated only with great difficulty.

Chairman Martin observed that the real problem facing the nation was that demand for credit was substantially in excess of aggregate savings of business and individuals. If the Federal Reserve were to create money so that demand might be fully accommodated, it would only accelerate price rises.

The third item and the Council's conclusions were then read by President Moorhead.

President Moorhead then read the fourth item on the Agenda and the conclusions of the Council. There followed a brief discussion in which the administration of the discount window in the various districts was briefly discussed.

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Chairman Martin suggested that questions which member banks had about discount policy should be discussed frankly with the Presidents of the local Federal Reserve banks.

The meeting adjourned at 12:20 P.M.

HERBERT V. PROCHNOW
Secretary

WILLIAM J. KORSVIK
Assistant Secretary

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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 June 20, 1966, at 9:30 A.M. in Executive Chamber #2 of The Madison, Washington, D.C. All members of the Federal Advisory Council were present except Mr. Cook. Mr. Frank L. King, Chairman of the Board, United California Bank, Los Angeles, California, attended as an Alternate for Mr. Cook.

The Council approved the Secretary's notes for the meeting of February 14-15, 1966.

The Council amended its action taken at the meeting on February 14, 1966 as follows:

1. The salary of the Secretary was fixed at $3,000 annually, and that of the Assistant Secretary at $2,000 annually, as in previous years.

2. The drawing upon each Federal Reserve Bank for secretarial and incidental expenses of the Federal Advisory Council for the year 1966 was reduced to $450 as in previous years.

ITEM I

ECONOMIC CONDITIONS AND PROSPECTS.

A. HOW DOES THE COUNCIL APPRAISE PROSPECTS FOR CONSUMER SPENDING AND FOR CONSUMER AND INDUSTRIAL PRICES AT MID-1966?

B. HAVE COUNCIL MEMBERS OBSERVED ANY SIGNIFICANT RECENT CHANGES IN BUSINESS PLANS FOR CAPITAL EXPENDITURES IN RESPONSE TO THE PRESIDENT'S REQUEST OR IN RESPONSE TO TIGHTER CONDITIONS IN MARKETS FOR LABOR, MATERIALS, AND CREDIT? HAVE THERE BEEN ANY SIGNIFICANT CHANGES IN INVENTORY POLICIES?

President Moorhead read Item I and asked the various members of the Council to comment. In the extended discussion which followed, there was general agreement that consumer spending will continue to rise, reflecting present high levels of employment and the continued upward trend of personal income. Several members mentioned that there were some indications that the rate of rise had moderated slightly from the very rapid pace that had characterized the early part of the year.

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In general, it was believed that consumer prices probably will edge up further, although the rise may be moderated somewhat by lower food prices. Most members of the Council anticipate that industrial prices will be under increasing upward pressure. The members of the Council reported that they had not observed any significant change in business expenditures in response to the President's request. They did acknowledge, however, that tighter conditions in the markets for labor, materials, and credit, and the resulting increase in costs, apparently has begun to slow the rate of rise in capital expenditures. No one was able to report any important change in inventory policies.

ITEM II

BANKING DEVELOPMENTS

A. WHAT DOES THE COUNCIL ANTICIPATE AS TO NEAR-TERM BUSINESS DEMANDS FOR BANK CREDIT? DO THE MEMBERS EXPECT BANKS TO HAVE DIFFICULTY IN MEETING SUCH DEMANDS?

B. HOW MUCH TIGHTENING OF BANK LENDING POLICIES HAS TAKEN PLACE SINCE LAST WINTER? HAS THE ABA CHECKLIST TO GUIDE SELECTION OF LOANS BEEN EFFECTIVE IN THIS REGARD?

C. HOW HAVE RECENT DEVELOPMENTS AFFECTED THE ABILITY AND WILLINGNESS OF BANKS TO ATTRACT FUNDS THROUGH ISSUANCE OF LARGE-DENOMINATION NEGOTIABLE C/D'S? THROUGH ISSUANCE OF SMALL-DENOMINATION CONSUMER-TYPE C/D'S?

D. WHAT ARE THE VIEWS OF THE COUNCIL MEMBERS REGARDING THE DESIRABILITY, AND THE POSSIBLE EFFECTS, OF VARIOUS RECENT LEGISLATIVE PROPOSALS FOR LIMITING C/D ISSUANCE BY REDUCING TIME DEPOSIT INTEREST RATE CEILINGS APPLICABLE TO CERTIFICATES BELOW CERTAIN MATURITIES OR DENOMINATIONS?

E. HOW WOULD THE COUNCIL APPRAISE THE CURRENT STATE OF THE MORTGAGE AND CONSUMER CREDIT MARKETS?

President Moorhead then read Item II. In the discussion which followed, it was pointed out that as a consequence of the anticipated further rise in business activity, a continued strong demand for bank credit is expected. Several members argued that banks have been rationing credit in recent months and accordingly will have difficulty in meeting the increased demand for funds in the remaining months of the year.

There was wide agreement that bank lending policies are considerably tighter than they were last winter. Several members said that the ABA checklist had been helpful and that some would-be borrowers may have been discouraged from making loan requests.

Because of the demand for credit, the banks in the money centers have aggressively sought funds in the negotiable C/D market. They have, in fact, succeeded in attracting a slowly rising volume by offering higher rates and by shortening maturities. Although the situation varied regionally, several members felt that the small

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denomination consumer-type C/D's have been helpful to banks by enabling them to attract and retain bank passbook-type savings.

The members of the Council do not look with favor on recent legislative proposals for limiting the issuance of C/D's by reducing interest rate ceilings. Several mentioned that equity investments and higher yielding fixed income obligations, such as those issued by the federal agencies, had succeeded in attracting savings funds. The situation in the mortgage market also varied regionally though it was generally agreed that restrictive monetary policy and the rise in interest rates had had an impact in this market. There is less evidence that the volume of consumer credit has been affected.

ITEM III

BALANCE OF PAYMENTS

A. DOES THE COUNCIL BELIEVE THAT THE REDUCTION IN FOREIGN LENDING BY U.S. BANKS IS DUE MAINLY TO (A) GENERAL MONETARY CONDITIONS, (B) THE VOLUNTARY FOREIGN CREDIT RESTRAINT PROGRAM, OR (C) OTHER FACTORS?

B. DOES THE COUNCIL BELIEVE THAT ANY SIGNIFICANT AMOUNT OF EXPORT FINANCING IS BEING REFUSED BECAUSE OF THE VOLUNTARY FOREIGN CREDIT RESTRAINT PROGRAM OR BECAUSE OF GENERAL MONETARY CONDITIONS?

C. WHAT IS THE COUNCIL'S VIEW REGARDING THE OUTLOOK FOR FOREIGN LENDING BY BANKS DURING THE REMAINDER OF 1966?

The President of the Council then read Item III. A brief discussion followed. It disclosed agreement among the members that the reduction in foreign lending by U.S. banks largely reflects general monetary conditions, including the pressure of domestic demand, and, to a lesser extent, the voluntary foreign credit restraint program. The slowing in the pace of economic activity in some foreign countries probably was an additional factor accounting for the reduction. Accordingly, the members of the Council do not anticipate any substantial increase in foreign lending by banks during the remainder of 1966. They are not aware of the refusal of any substantial volume of export financing.

ITEM IV

WHAT ARE THE COUNCIL'S VIEWS ON MONETARY AND CREDIT POLICY UNDER CURRENT CIRCUMSTANCES?

President Moorhead read Item IV and a long discussion followed during which the Council reviewed its previous comments on monetary policy. The members of the Council believe that the gradually increasing restraint that has characterized credit and monetary policy

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in the recent past should be continued. However, the approaching July 1 savings interest period may be marked by unusual activity and shifts of funds requiring temporary policy adjustments over this period. There was a strong feeling among the members of the Council of the need for fiscal restraint if inflationary pressures are to be effectively curbed.

The meeting adjourned at 12:20 P.M.

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THE COUNCIL CONVENED IN THE BOARD ROOM OF THE FEDERAL RESERVE BUILDING, WASHINGTON, D.C., AT 2:30 P.M., ON JUNE 20, 1966. ALL MEMBERS OF THE COUNCIL WERE PRESENT EXCEPT MR. COOK. MR. FRANK L. KING, CHAIRMAN OF THE BOARD, UNITED CALIFORNIA BANK, LOS ANGELES, CALIFORNIA, ATTENDED AS AN ALTERNATE FOR MR. COOK.

Members of the Board's staff participated in an audio-visual presentation on domestic and international economic conditions. An outline of the presentation is being prepared by the staff for distribution to the members of the Council.

* * * * *

THE COUNCIL RECONVENED AT 5:30 P.M., ON JUNE 20, 1966, IN EXECUTIVE CHAMBER #2 OF THE MADISON. ALL MEMBERS OF THE COUNCIL WERE PRESENT EXCEPT MR. COOK. MR. FRANK L. KING, CHAIRMAN OF THE BOARD, UNITED CALIFORNIA BANK, LOS ANGELES, CALIFORNIA, ATTENDED AS AN ALTERNATE FOR MR. COOK.

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 June 21, 1966. The Memorandum was delivered to the Federal Reserve Building at 9:30 P.M.

The meeting adjourned at 7 P.M.

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CONFIDENTIAL

MEMORANDUM TO THE BOARD OF GOVERNORS
FROM THE
FEDERAL ADVISORY COUNCIL
RELATIVE TO THE AGENDA FOR THE JOINT MEETING
ON JUNE 21, 1966

1. Economic conditions and prospects:

A. How does the Council appraise prospects for consumer spending and for consumer and industrial prices at mid-1966?

The Council anticipates that consumer spending will continue to rise, reflecting present high levels of employment and the continued upward trend of personal income. There is evidence that the rate of rise has moderated slightly from the very rapid pace that characterized the early part of the year. While numerous factors may be contributing to this development, it is possible that the increase in the Social Security tax that became effective January 1, together with the reimposition of excise taxes, and the accelerated tax collection program effective May 1, may have caused some reappraisal of consumer savings-spending patterns.

Although consumer prices probably will continue to edge up, the rise may be affected somewhat by lower food prices at the retail level. Food prices at the wholesale level showed a modest decline between February and May. Most members of the Council anticipate that industrial prices will be under increasing upward pressure.

B. Have Council members observed any significant recent changes in business plans for capital expenditures in response to the President's request or in response to tighter conditions in markets for labor, materials, and credit? Have there been any significant changes in inventory policies?

The members of the Council have not observed any significant change in business expenditures in response to the President's request. There is some fragmentary evidence that tighter conditions in the markets for labor, materials, and credit and the resulting increases in costs may tend to slow the rate of rise in capital expenditures. It is difficult to detect any important change in inventory policies. On the other hand, the recent slight decline in retail sales and, in particular, automobiles, may cause businessmen to be less aggressive in building inventories.

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2. Banking developments.

A. What does the Council anticipate as to near-term business demands for bank credit? Do the members expect banks to have difficulty in meeting such demands?

The members of the Council anticipate a continued strong demand for bank credit. To an increasing extent, banks have been rationing credit in recent months and will have difficulty in meeting the expected strong demand for credit in the remaining months of the year.

B. How much tightening of bank lending policies has taken place since last winter? Has the ABA checklist to guide selection of loans been effective in this regard?

Bank lending policies are considerably tighter than they were last winter. The ABA checklist has been helpful. Moreover, because the period of tight money and higher interest rates has continued for several months, some would-be borrowers may have been discouraged from making loan requests other than those which they believed would receive favorable consideration.

C. How have recent developments affected the ability and willingness of banks to attract funds through issuance of large-denomination negotiable CD's? Through issuance of small-denomination consumer-type CD's?

Despite the pressures in the credit markets, the banks in the money centers have been able to attract a slowly rising volume of funds through the issuance of negotiable CD's. To obtain the funds, however, banks have had to step-up the rates and/or shorten the maturities. Members of the Council believe that the small-denomination consumer-type CD's have been helpful in enabling the banks to attract and retain bank passbook-type savings funds. There has been only a relatively small increase in total consumer savings.

D. What are the views of Council members regarding the desirability, and the possible effects, of various recent legislative proposals for limiting CD issuance by reducing time deposit interest rate ceilings applicable to certificates below certain maturities or denominations?

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The members of the Council do not look with favor on recent legislative proposals for limiting the issuance of CD's by reducing interest rate ceilings. The Council knows of no persuasive evidence that a substantial volume of savings has flowed into the commercial banks from other financial institutions. On the contrary, there are indications that savings have been attracted to equities and higher yielding, fixed income obligations such as those issued by the Federal agencies.

E. How would the Council appraise the current state of the mortgage and consumer credit markets?

The Council believes that restrictive monetary policy, with the resulting rise in interest rates, has had an important impact on the mortgage credit markets. There is less indication so far of any significant direct affect on consumer credit markets. However, recent increases in instalment credit rates may have a more far-reaching impact on consumer credit markets. To the extent that demand has moderated as a result of these developments, and the pressures on the relatively limited supply of resources eased, monetary policy will succeed in achieving one of its objectives.

3. Balance of Payments.

A. Does the Council believe that the reduction in foreign lending by U.S. banks is due mainly to (a) general monetary conditions, (b) the voluntary foreign credit restraint program, or (c) other factors?

The Council believes that the reduction in foreign lending by U.S. banks largely reflects general monetary conditions including the pressure of domestic demand, and to some extent, the voluntary foreign credit restraint program?

The slowing in the pace of economic activity in Japan, for example, was one of the other factors accounting for some reduction in foreign lending by U.S. banks.

B. Does the Council believe that any significant amount of export financing is being refused because of the voluntary foreign credit restraint program or because of general monetary conditions?

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The members of the Council are not aware that any significant amount of export financing is being refused either because of the voluntary foreign credit restraint program or because of general monetary conditions.

C. What is the Council's view regarding the outlook for foreign lending by banks during the remainder of 1966?

The Council does not anticipate any substantial increase in foreign lending by banks during the remainder of 1966.

4. What are the Council's views on monetary and credit policy under current circumstances?

The members of the Council believe that the gradually increasing restraint that has characterized credit and monetary policy in the recent past should be continued. Although there are indications that economic activity seems to have moderated somewhat from the pace of the early months of the year, it is not clear that demand has slowed sufficiently to moderate the pressures on resources and on the price level in general. Accordingly, a continuation of the policy of gradually increasing restraint is warranted. However, the approaching July 1 savings interest period may be marked by unusual activity and shifts of funds requiring temporary policy adjustments over this period.

To deal effectively with inflationary pressures in an economy, it is necessary to pursue a policy not only of monetary restraint but also of fiscal restraint.

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ON JUNE 21, 1966, 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. COOK. MR. FRANK L. KING, CHAIRMAN OF THE BOARD, UNITED CALIFORNIA BANK, LOS ANGELES, CALIFORNIA, ATTENDED AS AN ALTERNATE FOR MR. COOK.

THE FOLLOWING MEMBERS OF THE BOARD OF GOVERNORS WERE PRESENT: CHAIRMAN MARTIN, VICE CHAIRMAN ROBERTSON, GOVERNORS MAISEL AND BRIMMER. MR. SHERMAN, SECRETARY, AND MR. BAKKE, 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 reproduced and distributed to the members of the Council.

The meeting adjourned at 12:20 P.M.

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The next meeting of the Council will be held on September 19-20, 1966.

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