

NOTE: This transcript of the Secretary's notes is not to be regarded as complete or necessarily entirely accurate. The transcript is for the sole use of the members of the Federal Advisory Council. The concise official minutes for the entire year are printed and distributed later.

H.V.P.
W.J.K.

The Secretary's notes of the meeting of the Federal Advisory Council on September 18, 1967, at 9:30 A.M. in the Board Room of The Madison, Washington, D.C. All members of the Federal Advisory Council were present.

The Council approved the Secretary's notes for the meeting of May 15-16, 1967.

ITEM I A, B AND C

ECONOMIC CONDITIONS AND PROSPECTS.

- A. HOW DOES THE COUNCIL APPRAISE THE GENERAL OUTLOOK FOR THE NEXT SIX MONTHS? THE OUTLOOK FOR PRICE AND WAGE DEVELOPMENTS?
 - B. WHAT IMPRESSIONS DO COUNCIL MEMBERS HAVE FROM THEIR CUSTOMER CONTACTS WITH REGARD TO CURRENT BUSINESS INVENTORY POSITIONS? ARE THERE ANY INDICATIONS OF A NEAR-TERM STEP-UP IN BUYING TO EXPAND INVENTORIES?
 - C. WHAT ARE THE PROSPECTS FOR RESIDENTIAL AND OTHER CONSTRUCTION IN THE COUNCIL MEMBERS' RESPECTIVE REGIONS? ARE MORTGAGE FUNDS, INCLUDING CONSTRUCTION MONEY, JUDGED TO BE ADEQUATE TO MEET CURRENT AND NEAR-TERM DEMANDS?
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President Moorhead read Item I and invited the members of the Council to comment. An extended discussion followed. It disclosed wide agreement on the outlook for business -- a continued, gradual rise in the next six months. Several members mentioned the impact of the strike in the automobile industry and suggested that this would moderate the pace of economic activity. The extent and duration of the strike obviously would be a factor. The principal expansive force in the months ahead will continue to be rising expenditures by federal, state and local governments. This development may be aided by some strengthening in consumer buying as the consumer spending-savings ratio moves to a more typical level.

Most members of the Council expect wages to rise rather sharply which will put upward pressure on the price structure. It was mentioned, however, that competitive pressures may limit price in-

creases somewhat so that the rise in wage costs will not be fully covered, thus narrowing profit margins. The members acknowledged that businessmen appear to be reasonably satisfied with their current inventory positions. As a consequence, there is little or no evidence at present indicating a near-term step-up in buying to expand inventories. A few members of the Council cautioned, however, that a step-up in consumer buying could quickly change this expectation.

The outlook for residential construction varied from district to district. In general, however, the members expect some further rise in residential and other construction in the months ahead. In the Council's judgment, there appears to be adequate mortgage funds and construction money to meet current and near-term demands. Several members mentioned that the rising costs of land, labor and materials, the continued relative tightness of funds available for tract developers at moderate rates of interest, and the ceilings on mortgage rates in some areas, are retarding influences in the recovery of housing and construction.

ITEM II A

BANKING DEVELOPMENTS.

A. WHAT IS THE COUNCIL'S ASSESSMENT OF THE PROBABLE STRENGTH OF BUSINESS LOAN DEMAND IN THE FALL?

President Moorhead read Item II A. A brief discussion followed in which the members acknowledged that loan demand currently was below their expectations but that they anticipated a sustained seasonal rise in the fall. There was some feeling that the less than anticipated strength of loan demand may reflect the large volume of corporate borrowing in the commercial paper and bond markets.

ITEM II B

B. IN THE COUNCIL'S JUDGMENT, DO BANK LIQUIDITY POSITIONS APPEAR ADEQUATE TO MEET EXPECTED FALL LOAN DEMANDS?

The President then read Item II B. The members acknowledged that the liquidity positions of banks appear adequate to meet anticipated fall loan demands. Several emphasized, however, that many bankers in the money centers, remembering the situation last fall, continue to be concerned about their ability to meet credit demands. Should the interest rate structure move higher, and yields on short-term investments rise above the Regulation Q ceiling, last year's run-off in large denomination C/D's might be repeated. In this event, the liquidity positions of many major banks would be severely strained. Accordingly, the Council deemed it desirable to include in their reply to the Board the suggestion that they consider now the desirability of raising the interest rate ceiling on large denomination negotiable C/D's.

ITEM II C

- C. HOW WOULD THE COUNCIL APPRAISE RECENT AND PROSPECTIVE CHANGES IN DEMAND FOR CONSUMER C/D'S AND SAVINGS DEPOSITS, AGAINST THE BACKGROUND OF RATES AVAILABLE ON COMPETING MARKET INSTRUMENTS?

President Moorhead read Item II C. A brief discussion followed which disclosed some variation among the districts in the behavior of passbook savings and consumer-type C/D's. The Council concluded, however, that there is little evidence that the consumer so far has been attracted to other market instruments. Should the difference in rates widen, there could well be a shift of consumer savings into competing market instruments. Several members of the Council suggested that at present the competition from other savings institutions was more important than the competition from other market instruments.

ITEM II D

- D. WHAT ARE CURRENT POLICIES OF BANKS REGARDING PREFERRED TYPES AND MATURITIES OF INVESTMENTS?

The President of the Council then read Item II D. The Council concluded that many bankers believe the relative easing of credit is temporary. Accordingly, they are apprehensive that they shortly may be faced with increasing demands for funds. Because of this, there has been some reluctance to invest available reserves for any extended period of time. With the exception of bankers in smaller institutions, most bankers have confined their investments to the relatively short end of the maturity schedule. Several Council members ventured the opinion that if loan demand continues to be less than anticipated, there may be a change in policy and bankers will begin to invest an increasing share of their portfolio in municipals and governments for longer periods.

ITEM II E

- E. HOW DO COUNCIL MEMBERS EVALUATE THE LARGE RECENT INCREASES IN CORPORATE USE OF THE COMMERCIAL PAPER MARKET? IS THIS DEVELOPMENT LIKELY TO HAVE A LASTING EFFECT ON BANK LOAN DEMAND?

A brief discussion followed the reading of Item II E by President Moorhead. Three reasons were cited by the members of the Council for the large increases in corporate use of the commercial paper market. These included the following: (1) the desire to keep open this source of funds which proved to be very helpful during the period of tight money last fall; (2) the fact that commercial paper market rates have been below the lending rates of commercial banks; and (3) that some corporations and banks have had short-term funds available for investment. The Council con-

cluded that unless the rate structure shifts considerably, this situation is likely to persist. A few members noted that at some future time bankers might be less willing to grant lines, which in some instances are essential in order for the borrower to obtain funds in the commercial paper market.

ITEM III A, B AND C

BALANCE OF PAYMENTS.

- A. DO COUNCIL MEMBERS EXPECT ANY SIGNIFICANT CHANGE IN THE AVAILABILITY OF FINANCING FOR U. S. EXPORTS IN THE NEAR FUTURE?
- B. DO COUNCIL MEMBERS EXPECT FOREIGN DEMANDS FOR CREDITS FROM U. S. BANKS TO CHANGE SIGNIFICANTLY IN THE MONTHS AHEAD?
- C. IS THE RECENT RAPID GROWTH IN EURO-DOLLAR BORROWINGS THROUGH FOREIGN BRANCHES OF U. S. BANKS LIKELY TO CONTINUE IN THE NEAR FUTURE?

President Moorhead read Item III A, B and C.

The members of the Council do not expect any significant change in the availability of funds for U. S. exports. As a matter of fact, because of the somewhat easier position of banks, such financing may be more readily available. Foreign demands for credits from U. S. banks continue strong and are unlikely to change in the months ahead. Because of the underlying shortage of capital in the world, a strong aggregate demand is always maintained. Euro-dollar borrowings through foreign branches of U. S. banks continues to grow, reflecting in some measure the continued concern of the money center banks about their ability to meet anticipated loan demands. Thus, while the volume may fluctuate from time to time, this source of funds is likely to be continually utilized.

ITEM IV

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

President Moorhead read Item IV and an extended discussion followed. It was acknowledged that monetary and credit policy so far this year had been helpful in cushioning the adjustments that have taken place in the private sector while at the same time permitting corporations and financial institutions to rebuild liquidity and the Treasury to finance the deficit. While recognizing the necessity of financing the Treasury, most members of the Council thought monetary policy should be somewhat less expansive. Several, however, expressed the concern that any change in the current

posture of the Federal Reserve might precipitate an undesirable chain of events. Moreover, some observers might interpret the action as a sufficient shift in policy so as to eliminate the need for a tax increase and less expansive fiscal policy. The Council went on to stress the desirability of cutting expenditures and increasing taxes on personal income and corporate profits.

The meeting adjourned at 12:05 P.M.

THE COUNCIL CONVENED IN THE BOARD ROOM OF THE FEDERAL RESERVE BUILDING, WASHINGTON, D.C., AT 2:30 P.M., ON SEPTEMBER 18, 1967.

Mr. Daniel H. Brill, Director of Division of Research and Statistics, assisted by a number of his associates, discussed the current business and economic situation.

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THE COUNCIL RECONVENED AT 5:30 P.M., ON SEPTEMBER 18, 1967, IN THE BOARD ROOM OF THE MADISON. 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 19, 1967. The Memorandum was delivered to the Federal Reserve Building at 7:15 P.M.

The meeting adjourned at 6:40 P.M.

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ON SEPTEMBER 19, 1967, 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. BRINKLEY WHO WAS OBLIGED TO RETURN TO LOUISVILLE.

THE FOLLOWING MEMBERS OF THE BOARD OF GOVERNORS WERE PRESENT: CHAIRMAN MARTIN, VICE CHAIRMAN ROBERTSON; GOVERNORS MITCHELL, BRIMMER, DAANE, MAISEL AND SHERRILL. MERRITT SHERMAN, SECRETARY, AND ELIZABETH L. CARMICHEL, 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 November 20-21, 1967.

CONFIDENTIAL

MEMORANDUM TO THE BOARD OF GOVERNORS
FROM THE
FEDERAL ADVISORY COUNCIL
RELATIVE TO THE AGENDA FOR THE JOINT MEETING
ON SEPTEMBER 19, 1967

1. Economic conditions and prospects.

- A. How does the Council appraise the general outlook for the next 6 months? The outlook for price and wage developments?

The members of the Council expect a continued, gradual rise in the level of business activity in the next six months. The pace of economic activity will be moderated somewhat by the extent and duration of the strike in the automobile industry. The principal expansive force in the months ahead will continue to be rising expenditures by Federal, State and local governments. This development may be aided by some strengthening in consumer buying as the consumer spending-savings ratio moves to a more typical level.

Most members of the Council expect wages to rise rather sharply and this in turn will put upward pressure on the price structure. However, competitive pressures may limit price increases somewhat, so that the rise in wage costs will not be fully covered resulting in a narrowing of profit margins.

- B. What impressions do Council members have from their customer contacts with regard to current business inventory positions? Are there any indications of a near-term step-up in buying to expand inventories?

The members of the Council have the general impression from their customer contacts that most businessmen are reasonably satisfied with their current inventory positions. Moreover, there is little or no evidence at present indicating a near-term step-up in buying to expand inventories.

- C. What are the prospects for residential and other construction in the Council members' respective regions? Are mortgage funds, including construction money, judged to be adequate to meet current and near-term demands?

The prospect for residential construction varies somewhat from district to district. In general, however, the members of the Council expect some further rise in residential and other construction in the months ahead. Mortgage funds, including construction money, appear to be adequate to meet current and near-term demands. Among the retarding factors are rising costs of land, labor and materials, the continued relative tightness of funds available for tract developers at moderate rates of interest, and the ceilings on mortgage rates in some areas.

2. Banking developments.

- A. What is the Council's assessment of the probable strength of business loan demand in the fall?

The Council anticipates a sustained seasonal business loan demand in the fall. To date the demand for business loans has been less than had been anticipated. This may reflect to some extent the large volume of corporate borrowing in the commercial paper and bond markets.

- B. In the Council's judgment, do bank liquidity positions appear adequate to meet expected fall loan demands?

Currently the liquidity positions of banks appear adequate to meet anticipated fall loan demands. Many bankers in the money centers, however, remembering the situation last fall, continue to be concerned about their ability to meet credit demands. Should the interest rate structure move higher and yields on short-term investments rise above the Regulation Q ceiling, last year's run-off in large denomination CD's might be repeated. In this event, the liquidity positions of many major banks would be severely strained. In anticipation of the possibility of this development, the Board might wish to consider now the desirability of raising the interest rate ceiling on large denomination negotiable CD's.

- C. How would the Council appraise recent and prospective changes in demand for consumer CD's and savings deposits, against the background of rates available on competing market instruments?

With the growth in total passbook savings and consumer type CD's, there is little evidence that the consumer has so far been attracted to other market instruments. However, the Council believes that if the difference in rates should widen sufficiently there is the possibility that savings-type deposits might move to

competing market instruments. More important at this time than the competition of market instruments is the competition of other types of savings institutions.

- D. What are current policies of banks regarding preferred types and maturities of investments?

As many bankers believe the relative easing of credit conditions is temporary and that they shortly may be faced with increasing demands for funds, there has been some reluctance to invest available reserves for any extended period of time. Most bankers have confined their investments to the relatively short end of the maturity schedule. Should loan demand continue to be less than anticipated, there probably will be a change in this policy and banks will tend to invest an increasing share of their portfolio in municipals and governments for longer periods at today's attractive rates.

- E. How do Council members evaluate the large recent increases in corporate use of the commercial paper market? Is this development likely to have a lasting effect on bank loan demand?

The members of the Council believe the large recent increases in corporate use of the commercial paper market reflect three developments: one, the desire to keep open this source of funds which proved to be highly desirable during the period of tight money last fall; two, the fact that commercial paper market rates have been below the lending rates of commercial banks; and three, that some corporations and banks have had short-term funds available for investment. Unless the rate structure shifts considerably, this situation is likely to persist. On the other hand, it is possible that at some future time banks might be less willing to grant lines which in many instances are essential in order for the borrower to obtain funds in the commercial paper market.

3. Balance of payments.

- A. Do Council members expect any significant change in the availability of financing for U S. exports in the near future?

The members of the Council do not expect any significant change in the availability of funds for U.S. exports in the near future. The somewhat easier position of banks suggests that such financing may be more readily available.

- B. Do Council members expect foreign demands for credits from U.S. banks to change significantly in the months ahead?

Foreign demands for credits from U.S. banks continue strong and are unlikely to change significantly in the months ahead. While the demand changes from time to time in individual countries, an over-all strong aggregate demand is maintained, reflecting an underlying shortage of capital in the world.

- C. Is the recent rapid growth in Euro-dollar borrowings through foreign branches of U.S. banks likely to continue in the near future?

The rapid growth in Euro-dollar borrowings through foreign branches of U.S. banks reflects the continued concern of the money center banks about their ability to meet anticipated loan demands. While the volume of borrowing may fluctuate from time to time, money center banks are likely to utilize the Euro-dollar market as a source of funds so long as the funds may be advantageously used.

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

The Council believes that monetary and credit policy so far this year has been helpful in cushioning the adjustments that have taken place in the private sector, while at the same time permitting corporations and financial institutions to rebuild liquidity and the Treasury to finance the deficit. However, while recognizing the necessity of financing the Treasury, the Council believes that monetary policy should now be somewhat less expansive. The Council feels very strongly that fiscal policy should be considerably less expansive. This necessitates a prompt cutback in expenditures and an increase in taxes on personal income and corporate profits.

A meeting of the Board of Governors of the Federal Reserve System with the Federal Advisory Council was held in the Board Room of the Federal Reserve Building in Washington, D.C., at 10:30 a.m. on Tuesday, September 19, 1967.

PRESENT: Mr. Martin, Chairman
Mr. Robertson, Vice Chairman
Mr. Mitchell
Mr. Daane
Mr. Maisel
Mr. Brimmer
Mr. Sherrill

Mr. Sherman, Secretary
Miss Eaton, General Assistant, Office
of the Secretary

Messrs. Simmen, McNeill, Still, Mayer, Wilkinson, Fleming, Bodman, Moorhead, Knight, Stewart, and Larkin, Members of the Federal Advisory Council from the First, Second, Third, Fourth, Fifth, Sixth, Seventh, Ninth, Tenth, Eleventh, and Twelfth Federal Reserve Districts, respectively

Mr. Prochnow, Secretary of the Council
Mr. Korsvik, Assistant Secretary of the Council

President Moorhead commented that Mr. Brinkley had found it necessary to return to Louisville following yesterday's meeting of the Council.

1. Economic conditions and prospects.

- A. How does the Council appraise the general outlook for the next 6 months? The outlook for price and wage developments?

The members of the Council expect a continued, gradual rise in the level of business activity in the next six months. The pace of economic activity will be moderated somewhat by the extent and duration of the strike in the automobile industry. The principal expansive force in the months ahead

will continue to be rising expenditures by Federal, State, and local governments. This development may be aided by some strengthening in consumer buying as the consumer spending-savings ratio moves to a more typical level.

Most members of the Council expect wages to rise rather sharply and this in turn will put upward pressure on the price structure. However, competitive pressures may limit price increases somewhat, so that the rise in wage costs will not be fully covered resulting in a narrowing of profit margins.

President Moorhead said he saw more unanimity on the outlook than on most other questions the Council had discussed yesterday, unanimity as to the state of the economy and also as to the pressure on prices.

Chairman Martin asked whether the Council had any information as to the impact the automobile strike was having.

Mr. Bodman said that he had no special information beyond that reported in the press. Mr. Reuther talked as though the companies would be struck one at a time. In response to a question from Governor Brimmer, he said that increases in prices already announced by General Motors of something like \$100 a car could signify what might be expected on 1968 models generally.

- B. What impressions do Council members have from their customer contacts with regard to current business inventory positions? Are there any indications of a near-term step-up in buying to expand inventories?

The members of the Council have the general impression from their customer contacts that most businessmen are reasonably satisfied with their current inventory positions. Moreover, there is little or no evidence at present indicating a near-term step-up in buying to expand inventories.

President Moorhead observed that he thought some people were wondering why there was not more evidence of expanding inventories since everyone was expecting price increases. Still, there did not seem to be an accumulation of inventories. One reason was that it cost about as much to carry them as they might get on a price increase. Another factor was that some were badly burned last year and were being cautious about building up inventories now.

Governor Mitchell asked whether the Council thought inventories were still being liquidated, and Mr. Mayer replied that they were in the case of steel. Some stocks of steel were still very high relative to current sales. He would suspect that the reason some firms did not start building inventories was that they had just been burned and this experience was fresh in their minds. They were thinking more about that than other things.

Governor Maisel suggested that the corollary was that inflationary feelings were almost entirely on the financial side, rather than being reflected in goods and services, and Mr. Mayer replied he could not answer that. President Moorhead commented, however, that financial people were worried about inflation.

- C. What are the prospects for residential and other construction in the Council members' respective regions? Are mortgage funds, including construction money, judged to be adequate to meet current and near-term demands?

The prospect for residential construction varies somewhat from district to district. In general, however, the members of the Council expect some further rise in residential

and other construction in the months ahead. Mortgage funds, including construction money, appear to be adequate to meet current and near-term demands. Among the retarding factors are rising costs of land, labor and materials, the continued relative tightness of funds available for tract developers at moderate rates of interest, and the ceilings on mortgage rates in some areas.

Mr. Larkin recalled that in 1964 there was a large inventory of housing to work off in California. It had been pretty well worked down and there had been a turn around in the past 6 months. Building volume was going up again, but at a much more sustainable level. The rise was at about a 5 per cent rate, which was not unreasonable. Thus, he expected some further support could be expected from that segment of the economy. He thought savings and loans were looking for a place to put their money. They had a lot of money but were not willing to go in for some of the kinds of deals they had gone into before. Some of them had gotten hurt and they were being more cautious. All of the factors operating at this moment were constructive and in the right direction.

Governor Mitchell asked where housing demand and activity were strongest, and President Moorhead replied he thought it was quite good in the Midwest. Mortgage funds seemed to be plentiful except in a few cases, such as in States having rather low ceilings on mortgage rates.

Mr. McNeill remarked that in New York there was a boom in residential and office building. There seemed to be no end to it. Many observers thought a year ago that this segment was overbuilt, but new buildings seemed to get filled up, although now the older

buildings were beginning to suffer. Long-term financings were being done primarily on the leases.

Mr. Still commented that residential building in Philadelphia was not moving ahead, although there were more office buildings on the drawing board than at any other time. Older buildings were under pressure because tenants were moving out into the newer buildings even though they paid a higher rate.

Mr. Fleming reported that housing was beginning to build up again in the Southeast. Activity was going more into condominiums, especially in Florida, but it was spreading over the other States as well. As cities were growing it was found that people who owned land, which had doubled in value, were asking high prices for it. For example, Federal Housing Administration restrictions were more severe, such as requiring sewage systems in order to get loans, which had not been required before. On top of that, labor, of course, was going up, and the real increases in costs were not the cost of money but the other factors entering into a new home. There was beginning to be a feeling that the cost situation would not get better and one had better go ahead and buy.

2. Banking developments.

- A. What is the Council's assessment of the probable strength of business loan demand in the fall?

The Council anticipates a sustained seasonal business loan demand in the fall. To date the demand for business loans has been less than had been anticipated. This may reflect to some extent the large volume of corporate borrowing in the commercial paper and bond markets.

Governor Mitchell inquired whether all Council members agreed that the demand for business loans had been less than anticipated.

President Moorhead replied he thought the Council was unanimous on that statement; the anticipated loan demand just had not appeared.

Governor Brimmer asked the Council to describe the effect on bank loans of small corporations going to the equity market.

Mr. Wilkinson commented that a great many small companies had gone into the equity market and this had had an effect on bank loans. President Moorhead added that use of the commercial paper market might in total have affected loan demand at banks more than the bond market.

Mr. Larkin reported that last Friday he sat in a loan committee meeting and saw six major commitments that had been made for bank loans cancelled just because of having obtained the money in the bond market.

Mr. Fleming remarked that the proceeds from bond financing were being used to repay bank loans, but he felt some of the money was also used to provide funds to buy commercial paper.

Governor Mitchell asked whether any of the Council felt they did not have enough money to meet loan demand, noting that for a long time the Council members had been apprehensive about that. He also wondered whether there was a lack of new loan demand or whether the reason totals were not rising was because old loans were being paid off, partly with funds obtained from sources other than banks.

President Moorhead replied that loan demand by any comparison except last year was still strong. Everyone had been looking for it to take off again, but so far it had not.

Governor Sherrill inquired how much expansion was taking place in establishing new lines of credit, and whether on new lines standby fees were paid.

Mr. Mayer said that standby fees were paid only on firm commitments, and he thought the present situation was about as it had been in the past.

President Moorhead remarked that revolving credits were being set up by a good many corporations, and, in response to a further question by Governor Sherrill, that there was considerable hedging by corporations that did not want to get caught again.

Mr. Stewart said that in the Eleventh District existing lines of credit were being increased quite a bit.

Mr. McNeill thought there was a good deal of hedging by borrowers, although not as much as last year. The same was true of loans. His bank's loans were as high now as a year ago but not quite as high as had been anticipated.

Mr. Still noted that his bank was not a money market bank. The normal business loans continued to roll in, but some of the larger "one-shot" loans made a year or so back were being reduced. It took four to five months to run these one-shot borrowers' loans off, and his bank was not making any further deals of that sort.

In response to a question from Governor Brimmer, Mr. Mayer said that he did not visualize any great change in the general loan situation in the next 90 days. He did anticipate a substantial

increase in loans that would in reality be for tax purposes at the end of the year. There were oil and coal payments that were being pushed into one calendar when normally they would fall in the next, and these were usually for tax purposes. His bank had resisted making such loans last year because they were not productive. However, it was a gadget to gain some advantage, and there was going to be quite a bit done this year.

Mr. Fleming thought also that disproportionate payment of taxes in the first part of the year had some effect. Banks were not now getting the normal loan demand for tax payments.

Chairman Martin inquired whether the accelerated tax payments had changed the banks' views on liquidity also, and Mr. Fleming replied there was still a heavy overall loan demand. If the question was directed to business loans, he did not think any of the banks would have trouble getting loans if they went looking for them.

Messrs. McNeill and Mayer commented that most banks were not out looking for loans. Mr. Mayer went on to say, however, that the Council should not leave an impression with the Board that it thought loan demand was relatively easy. Everything was relative, and it had been hoped there would be some surcease. He would have liked to see loan demand go down appreciably so that there would have been some leeway for meeting demands, but that had not happened. He did not know where the money was going to come from to take care of additional demands.

Mr. Bodman said his bank's volume of outstanding commercial loans was about 11 per cent below what had been expected several months ago. He and Mr. Simmen both indicated they were receptive to more loan volume.

Mr. Fleming said his bank had not been seeking loans, partly because of the heavy lines of credit that might be called upon. There was no way for a commercial bank to anticipate exactly what such demands might be from firms with established lines. In answer to Governor Brimmer, Mr. Fleming said his bank found that any corporation that had a deposit balance as a rule wanted to support that balance with a line of credit of some kind; a \$200,000 balance was regarded as justifying a \$1,000,000 line of credit.

President Moorhead commented that in general his bank was trying to pare down its existing lines, partly to enable it to take care of other demands and for insurance purposes.

Governor Robertson inquired whether there had been an expansion in firm commitments for loans against lines of credit on which a fee was paid.

Mr. McNeill said that in New York there was a tendency to hold these down and that the demand was not as sharp as last year. There was rather little granting of courtesy lines of credit in return for balances, although of course a bank would make exceptions. Banks were cutting some lines down, and some would go to a company and tell the management that it was not maintaining the compensating balance at a level desired and thus their credit line was being

reduced. While he could not say precisely the extent to which compensating balances were being maintained, Mr. McNeill felt there had been a substantial increase in such balances during the past two years and that they were perhaps higher than a year ago.

- B. In the Council's judgment, do bank liquidity positions appear adequate to meet expected fall loan demands?

Currently the liquidity positions of banks appear adequate to meet anticipated fall loan demands. Many bankers in the money centers, however, remembering the situation last fall, continue to be concerned about their ability to meet credit demands. Should the interest rate structure move higher and yields on short-term investments rise above the Regulation Q ceiling, last year's run-off in large denomination CD's might be repeated. In this event, the liquidity positions of many major banks would be severely strained. In anticipation of the possibility of this development, the Board might wish to consider now the desirability of raising the interest rate ceiling on large denomination negotiable CD's.

President Moorhead commented he was not sure this written answer was consistent with what had just been said. Council members had suggested on previous occasions that, while liquidity seemed adequate at the moment, it was based on CD's and when banks were operating on instruments that had ceilings on what they could pay they were uncomfortable. His bank was close to the ceiling on six-month CD's and any upward movement would put it at the ceiling rate.

In response to a question from Chairman Martin as to where he felt the maximum rate should be raised to, President Moorhead said he would remove it entirely or at least raise it to a level that was tantamount to its removal on CD's of \$1,000,000 or more.

Mr. Mayer commented that it seemed inequitable for negotiable CD's to be subject to a ceiling when the instruments with which they compete are not under a ceiling. The sources of these funds are large corporations, which have other outlets not subject to ceilings.

Mr. Wilkinson said that liquidity today was entirely adequate, but if negotiable CD's were the controlling instrument, that forced a bank into a different concept of liquidity because of potential deposit losses.

Governor Robertson said he would like to pursue this line of thinking a little. The purpose of removing interest rate ceilings would be to enable banks to get more funds to expand loans. Yet the views expressed indicated loan demand was not up to expectations and some banks were receptive to more loans.

President Moorhead said that if one looked at the ceiling as a control instrument, the Council did not have much case for raising the rate, but if one looked at it as facilitating liquidity, the ceiling should be raised or removed.

Governor Mitchell noted that a higher ceiling would make it easier for banks to take on additional commitments because they would know they had that additional source of funds. Mr. Fleming did not think the main purpose was to get more money; the idea was for banks to keep what they had; and Mr. Mayer said banks were in business to make money and such a move would enable them to make loans.

Mr. Still said that although such a move would enable banks to make new transactions to make money, the purpose would in reality

be to enable them to stay in business. If a bank found itself in a bad position, it would simply have to cut back.

President Moorhead pointed out that the problem had been to take care of regular customers. With that leeway, banks would have an opportunity to get rid of those loans they did not want.

Governor Robertson thought everyone should keep in mind the whole purpose of monetary policy: to prevent undue expansion of credit and the money supply. It might be that what the Council wanted to do was to move the ceiling up so that banks could hold their place but not expand.

Governor Mitchell commented that there were corporations paying 6-1/8 to 6-1/4 per cent up to five years, including some of the best corporations. Would they be willing to pay, say, 10 per cent to continue their plans? That would not be a marginal use of credit; it was much above the margin, and many credit users were squeezed out by that type of demand. The Board had run into this in 1966, and he thought it fair to say that the ceiling was used as a control under those circumstances.

Mr. Mayer remarked that what Governor Mitchell was suggesting was that in periods of stress he would like to see the weak taken care of rather than the strong. That was against nature.

Governor Maisel commented that this pointed up the significance of the level of lines of credit. If the banks had lines of credit three times as large as their loans, and if the banks could

not get all the money they wanted in the open market, that would mean that the corporations that had the established lines were the only ones the banks would take care of. This raised the question whether those were the logical users of credit in such a period.

President Moorhead commented that perhaps the banks did not want to expand total credit but did want to be able to hold their own. He noted that there were now \$20 billion of certificates in the market, which furnished liquidity for banks.

Governor Robertson suggested that, if banks needed the funds only for the purpose of holding their own, perhaps they should have to limit CD's to a percentage of total deposits so as to keep the \$20 billion from rising.

President Moorhead thought one of the advantages of CD's was that their use permitted money to flow where the need was. He did not think an arbitrary ceiling desirable.

Governor Brimmer commented that being able to buy funds on CD's permitted the central bank to maintain some degree of control so that, as rates were raised and reserve requirements were also raised, the real cost went up.

Governor Mitchell pointed out that there were other sources that could be tapped; for example, there was the Euro-dollar market.

Commenting on Governor Brimmer's suggestion, Mr. Mayer said that one must devise some means that made the market place determine whether funds were attractive at a certain price. If that price

seemed prohibitive, a bank might have to draw back, although at some point along the way it might decide to take a chance. He thought a good many bankers went through this last year and were well aware of the problems, and that CD's under present conditions had to have a place in the deposit portfolio and must not exceed that. He suspected there were some banks that had not found that out yet.

Chairman Martin asked what the Council thought would have happened if there had been no ceiling on CD's during the period.

Mr. Wilkinson thought there probably would have been an intensifying of the crunch for a very short time until the banking system moved out undesirable loans to get back into a better loan situation.

Mr. Mayer thought the price could have been measured by the Euro-dollar market. A good many banks found their escape through that market, although some were not in it because they did not have connections abroad.

Mr. Knight reported that a survey in his district of 40 important banks in the last three months showed their liquidity had improved, and their increased deposits of time money had been put into investments. For the smaller banks that was not true; their gains in deposits went into loans. He believed that the effect of using CD's depended on what kind of bank one was talking about.

- C. How would the Council appraise recent and prospective changes in demand for consumer CD's and savings deposits, against the background of rates available on competing market instruments?

With the growth in total passbook savings and consumer type CD's, there is little evidence that the consumer has so far been attracted to other market instruments. However, the Council believes that if the difference in rates should widen sufficiently there is the possibility that savings-type deposits might move to competing market instruments. More important at this time than the competition of market instruments is the competition of other types of savings institutions.

President Moorhead commented there was quite a little difference in passbook growth: some banks were showing quite good growth, others were slipping a little. Everyone was having a good response on consumer CD's. The Council did not feel that the rate differential at this point was enough to cause the really small saver to move into market instruments, but when the differential was above a half per cent there would be some tendency for the smaller accounts (\$25,000 or so) to move to market instruments.

During the ensuing discussion Chairman Martin recalled that at the last meeting with the Council there was some disposition toward an increase in the maximum passbook rate for savings. He wondered what the current view of the Council members was.

Responses indicated that five of the Council members were inclined toward an increase in the rate, while seven would oppose a change at this time.

Mr. Bodman said he thought that he had changed his mind since the last meeting. At the moment he would just as soon leave the savings deposit ceiling where it is.

Mr. McNeill said his bank found that with a half percentage point differential it could compete successfully with savings and loans,

but it was not able to do so when the spread was larger. This would argue for raising the maximum on savings accounts from the 4 per cent level.

President Moorhead commented that on the whole he was satisfied with the 4 per cent rate.

Mr. Knight said he was interested in changing the savings and loan rate. If it came down, his bank would be happy to stay at 4 per cent.

Mr. Larkin said that he would still be opposed to an increase in the maximum rate. He thought the higher rate on CD's had solved a lot of problems in this area. Those who wanted the higher interest rate could get it by using CD's, while those who wanted to be able to move in and out of their accounts at will could use the passbook savings account. In California there had been about a \$70 million increase in the 4 per cent passbook saving and about \$110 million in the savings and loan since the first of this year. The present arrangement seemed to be working very well.

D. What are current policies of banks regarding preferred types and maturities of investments?

As many bankers believe the relative easing of credit conditions is temporary and that they shortly may be faced with increasing demands for funds, there has been some reluctance to invest available reserves for any extended period of time. Most bankers have confined their investments to the relatively short end of the maturity schedule. Should loan demand continue to be less than anticipated, there probably will be a change in this policy and banks will tend to invest an increasing share of their portfolio in municipals and governments for longer periods at today's attractive rates.

President Moorhead thought that here again there might be considerable difference between the large banks and the small banks. A good many banks in his district were going out fairly long.

E. How do Council members evaluate the large recent increases in corporate use of the commercial paper market? Is this development likely to have a lasting effect on bank loan demand?

The members of the Council believe the large recent increases in corporate use of the commercial paper market reflect three developments: one, the desire to keep open this source of funds which proved to be highly desirable during the period of tight money last fall; two, the fact that commercial paper market rates have been below the lending rates of commercial banks; and three, that some corporations and banks have had short-term funds available for investment. Unless the rate structure shifts considerably, this situation is likely to persist. On the other hand, it is possible that at some future time banks might be less willing to grant lines which in many instances are essential in order for the borrower to obtain funds in the commercial paper market.

President Moorhead said that banks were now lending their names to make commercial paper marketable when it would not be marketable without their names. A good many companies were now using the commercial paper market fairly heavily but, as indicated in the last sentence of the Council's comment, this situation could change if money became easier and banks were in a better position to meet customers' demands directly. In response to a question from Governor Brimmer as to which of the reasons cited by the Council were most important in the growth of commercial paper, President Moorhead said that he thought the rate differential in favor of commercial paper was probably the overriding consideration.

3. Balance of payments.

- A. Do Council members expect any significant change in the availability of financing for U.S. exports in the near future?

The members of the Council do not expect any significant change in the availability of funds for U.S. exports in the near future. The somewhat easier position of banks suggests that such financing may be more readily available.

- B. Do Council members expect foreign demands for credits from U.S. banks to change significantly in the months ahead?

Foreign demands for credits from U.S. banks continue strong and are unlikely to change significantly in the months ahead. While the demand changes from time to time in individual countries, an over-all strong aggregate demand is maintained, reflecting an underlying shortage of capital in the world.

Governor Robertson asked whether any member of the Council knew of any export sales that had been lost for lack of financing.

No member of the Council indicated that he knew of any such loss of exports, although Mr. Wilkinson commented that there was a constant pressure for terms when one got into the export guarantee.

In response to a query by Governor Brimmer as to the extent to which the Japanese were seeking loans in the U.S. market, Mr. McNeill responded that they would borrow anything U.S. banks would lend them in any amount and on any terms. He also said, in reply to a further question from Governor Brimmer,

that demand from Western Europe had picked up as compared with last year. His bank was trying to limit these demands, and he thought other banks had been trying to do the same.

Governor Brimmer then asked about the prospects for the banks using their full quotas under the voluntary foreign credit restraint program, to which Mr. McNeill replied that his bank was close to its ceiling and he would be frank to say he was glad to have the ceiling. As far as he was concerned there was enough U.S. money abroad. However, the program had not worked fairly because some of the banks did not have enough at the time the ceiling was put on.

Mr. Still noted that Philadelphia banks were just getting into the international business at the time the ceiling was fixed and they had not been able to expand at all. The program had, as a practical matter, limited international business to the large banks that were in it before the ceiling became effective, such as those in New York and a few other cities.

Governor Robertson agreed there was no question about the inequity of the program. This was a fact, but to attempt to devise a program that would correct this would mean cutting down the quota of the banks that were already in the business when the program was started.

Mr. Knight asked whether he understood correctly that Governor Robertson's opinion would be that, in spite of the fact that foreign loans of banks that previously had been in the international field were not at their ceilings, the prospects of others getting leeway for such credits was not very good, and Governor Robertson agreed they were not very good.

Chairman Martin then asked what the members of the Council would suggest be done about the balance of payments.

Mr. Mayer remarked that if everyone concerned with the balance of payments had functioned as well as the banks, the problem would be much less. However, that had not been true of the non-bank program under the Department of Commerce or of some other important factors.

In response to a question from Governor Brimmer as to why U.S. banks establishing overseas branches seemed anxious to get into London, Mr. Mayer said it became apparent to his bank in trying to solve the problem of expansion overseas that London was the first place it should have a branch. No matter what was said, outside of New York London was the world capital market. It was quite clear that if his bank wanted to take care of its overseas customers it should be close to them and that could not be done without a London branch. It had been found extremely useful.

- C. Is the recent rapid growth in Euro-dollar borrowings through foreign branches of U.S. banks likely to continue in the near future?

The rapid growth in Euro-dollar borrowings through foreign branches of U.S. banks reflects the continued concern of the money center banks about their ability to meet anticipated loan demands. While the volume of borrowing may fluctuate from time to time, money center banks are likely to utilize the Euro-dollar market as a source of funds so long as the funds may be advantageously used.

President Moorhead commented that what the Council was trying to say was that, although use of Euro-dollars would fluctuate depending upon market rates, that market was here to stay as a source of funds.

Governor Maisel asked whether the Council had any feeling as to how much the use of Euro-dollars by U.S. banks would have developed even if London had not been having its difficulties.

President Moorhead asked Mr. Prochnow to comment on this question.

Mr. Prochnow first referred to the previous question, stating that his bank was one of those that had recently established a branch in London. The bank had long had overseas customers, and it had had a policy that it must do business only through the best banks in the countries concerned. It found that it was losing contact with its customers, however, and it started in London with a representative office but later changed to a branch. Switching to a branch was one of the best moves the First National Bank of Chicago

had made, not just for prestige but because it provided a much better means for serving the large corporate customers with which it did business. It also now had a branch in Frankfurt, which was proving valuable.

On the Euro-dollar question, Mr. Prochnow said that his bank used Euro-dollars whenever it found it advantageous to do so. It had used them last year even at a loss because it had to protect its position. It bought Euro-dollars this year because it anticipated a very large demand for credit.

Governor Sherrill inquired how many of the banks represented in the room were now active in the Euro-dollar market, and responses indicated that there were at least three.

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

The Council believes that monetary and credit policy so far this year has been helpful in cushioning the adjustments that have taken place in the private sector, while at the same time permitting corporations and financial institutions to rebuild liquidity and the Treasury to finance the deficit. However, while recognizing the necessity of financing the Treasury, the Council believes that monetary policy should now be somewhat less expansive. The Council feels very strongly that fiscal policy should be considerably less expansive. This necessitates a prompt cutback in expenditures and an increase in taxes on personal income and corporate profits.

Chairman Martin said the Board would like some discussion of what was meant by the Council's suggestion that monetary policy should "now be somewhat less expansive."

President Moorhead said that the Council felt that open market operations should be somewhat less expansive than they have been. The Council could not say to cut the money supply by so many dollars; it was a matter of feeling one's way. Some members thought there was reason to wait to see what action was taken on the tax bill, but perhaps the time was here when the Fed should start cutting down on the rate of expansion.

Mr. Still said that some of the Council felt that leaving free reserves at about their recent level in the face of seasonal increases in demand for loans would result in a somewhat less expansive Federal Reserve policy.

Governor Robertson asked to what extent the increase in the money supply represented larger compensating balances required of corporations--a means used by banks for increasing interest costs.

Mr. Bodman said that he did not think this had had a measurable effect. Actually, business loans were down. He thought the purchase of securities by the Federal Reserve had contributed to the increase in demand deposits that was reflected to some extent in larger compensating balances of corporations.

Governor Maisel commented that logically the corporations, rather than the banks, might buy Government tax bills by taking their balances out of the banks. It was a question whether the economy would be better off by having the Government debt bought

9/19/67

-24-

directly by corporations rather than through the banks. He supposed the banks might say that corporations would be less likely to spend the money if the funds were tied up in tax bills rather than being held in the form of negotiable CD's.

Mr. Bodman thought it would be an impossible undertaking for the Government to tell the banks how to allocate their assets. However, he would not think Governor Maisel's suggestion would make a great deal of difference to the banks. So far as the corporation was concerned, the funds were equally liquid whether in Treasury bills or CD's of a comparable quality and maturity. He cited the case of a corporation such as a utility which had the proceeds of a bond issue to be disbursed over a period of time, and in the meantime it wanted the funds in a safe place at some return. He did not think it would make much difference to the corporation which marketable instrument was used, so long as it was of a comparable quality and the corporation knew that the money would be available as its construction schedule required disbursement of the funds.

Governor Daane recalled that Mr. Still had suggested he would translate a "less expansive" policy as one that might maintain about the present level of free reserves while accommodating the fall seasonal demands. He did not see how that could be considered less expansive.

9/19/67

-25-

Mr. Still responded that he visualized a policy that would let the normal fall seasonal demands for credit press against the existing level of free reserves, that the Federal Reserve would supply some reserves to meet those demands, but that he was suggesting that the amount supplied not be increased as rapidly as the credit demands rose. He agreed with comments by Governors Robertson and Daane that this would mean some reduction in the net amount of free reserves.

Mr. Larkin posed the question whether, having had the 1966 experience and if the Fed felt that it was desirable policy now to slow things down, it might be running the risk of starting a move on the part of corporate treasurers to take money down from their lines of credit at banks in order to be sure they got the funds they might need. If the Fed really were to put the banks under pressure, he did not feel they were very far from another crunch. He would prefer to wait a little to see how the automobile strikes and some other important items developed. He did not differ fundamentally from the Council view, but he did differ a little on the timing for a move toward tightening.

Governor Brimmer asked whether the Council had discussed in specific terms the question of timing.

President Moorhead reported that the Council thought that lessening of expansion should begin right away. However, a minority of perhaps two held a different view.

Governor Maisel wondered whether the Council felt that enough demand had built up so that, if the Federal Reserve did nothing in the present liquidity situation, the demand for funds would drop. He was not talking of an absolute drop but of a reduction in the rate of increase--from a 9 or 10 per cent annual rate of growth over the past six months to, say, 6 or 7 per cent. In other words, would the rate of growth drop as a result of people being satisfied with the amount of liquidity they had built up?

President Moorhead said that both banks and borrowers anticipated some kind of action, and anything confirming that would make the situation worrisome.

Governor Mitchell said that if the Council's comments reflected the attitude and tone of the banking community as a whole, it was sufficiently cautious and apprehensive about the future that banks were not going to do anything that required any particular restraint on the part of the Federal Reserve. Professor Friedman would say, of course, that an 8-1/2 per cent rate of increase in the money supply was too much and would produce inflation. To Governor Mitchell, it would not seem that pulling back on the banks a little at this time would do more than make them more cautious than the comments suggested they already were. Furthermore, their customers did not seem likely to do anything that would require restraint, judging from the rather slow demand that had been indicated for loans. Looking at this picture, Governor Mitchell thought there was some inconsistency between the

comments that the ceiling on large CD's should be raised and the recommendation for a move by the Federal Reserve toward tighter conditions.

Mr. Mayer observed that he was more or less with Mr. Larkin. He could not help being bothered by the rapid expansion of the money supply, but the situation was highly delicate. He did not know how to quantify the difference between where banks were now and what could trigger another crunch. If he were doing it, he would move very gently and a very little bit, matching closely and maybe pulling back if there was any adverse reaction.

Mr. Wilkinson wondered if the Federal Reserve was caught in the dilemma where any restraint would contribute to a downturn. It didn't want another credit crunch, but it was trying to bring down demand. It was forced to supply enough reserves to give the banks adequate liquidity at the new higher level of demand that would come as the economy found a new equilibrium.

Governor Mitchell agreed that liquidity had to be rebuilt. The question was whether that had gone far enough, and from the Council's comments he did not know the answer.

Chairman Martin commented that since a year ago there was a new approach to liquidity. The accelerated tax payments and the fear of what might come about required a liquidity judgment factor that was very difficult to appraise.

Mr. Fleming said he interpreted the Council's discussion as indicating that business was beginning to move upward. Savings were increasing and there was no question but that wages and prices were moving up. The money supply was at an all time high level. A tax increase was not at all certain. He thought the Council was afraid of the inflationary implications of all of those things. Just what should be done to correct the situation he did not know. Everyone would like to see a tax increase, but that might not be in the cards at the moment. As an individual banker, he would like to have more money and more customers, but looking at the situation for the good of the country as a whole he was sure something had to be done.

Governor Sherrill asked whether as a banker Mr. Fleming did not feel that there was tight money now. Normally, banks were out looking for loans, but apparently only two of this group were seeking loans at present.

Mr. Fleming replied that maybe his bank could increase its loan ratio a little, but it did not know what demand was going to come in from customers. Last year was just yesterday to him. His bank was not about to take a chance on getting out on a limb; it did not want to be loaned up at the moment.

Mr. McNeill was of the opinion that there was a tight money market now, and this made banks feel uncomfortable with the loan portfolios many were carrying.

Governor Sherrill remarked that tight money was a matter of judgment. However, if conditions were already tight, then what the Council was asking for was a tighter money market. The uneasiness that the Council expressed was not a matter of statistical measurement, yet the feeling described was probably keeping banks from doing much more than meeting a minimum demand.

Mr. Still said one reason given for not doing something now was the fear of a crunch. He wondered, however, when something would be done. If business dropped off, there would not be much reason for tightening; and if it got better and better the possible effects of a tightening action and the fear of a credit crunch would have to be considered.

Governor Maisel suggested that the objective was that the banking system feel about as tight as it could. That feeling should help slow the expansion. He thought Governor Sherrill was suggesting that the System keep the feeling of tightness and not worry too much about the statistics.

Mr. Wilkinson said it appeared that the Board wanted in this environment for banks to feel tight and to stay about where they were.

Mr. Fleming felt the problem was not so much where banks were now but the direction in which they were going. At the moment the situation seemed fairly comfortable but bankers did not like the direction in which the economy was going. The Federal Reserve was to be commended on the job it had done the past year, and the question now was whether a safe balance could be maintained.

Mr. Mayer said he did not feel too comfortable. As Mr. McNeill had pointed out earlier, banks were pretty well loaned up and much of that was based on funds of a very short-term character. He (Mr. Mayer) could not help feeling jittery. That was the nature of banking and he doubted that it was about to change.

Chairman Martin asked how much impact the Council thought the tax increase, assuming it was passed, would have on business. He noted that this was a case of complementary tax and monetary policy, and the Council had come out strongly for a considerably less expansive fiscal policy.

Mr. Wilkinson said there might be a difference between the effects on consumers and corporations. The consumer might not immediately cut back but in time the new taxes would have an effect and would slow down the vigor of consumer purchasing.

President Moorhead added that the Council did not feel the tax program would have much effect on prices because the economy was in a cost-price push and even with a tax boost there would be a large deficit in the Federal Government's budget.

Going back to Governor Sherrill's comment on loans, Mr. Knight said he was sure the Council would not wish to leave the impression that banks were actually turning down good loans. Many banks were out for certain types of business as in the consumer loan and credit card fields.

Chairman Martin said he assumed every member of the Council was in favor of the tax program that had been proposed.

No member of the Council indicated disagreement, although Mr. Bodman said he favored it, provided the program was accompanied by a maximum reduction in Federal expenditures. President Moorhead added that he thought the Council was in favor of the program anyway.

Mr. Mayer thought the Treasury made a serious error by including some tax reform measures rather than sticking to a straight surtax. This had created a feeling of real distrust. If a tax reform bill was to be undertaken, it should be done out in the open.

It was agreed that the next meeting of the Federal Advisory Council would be held November 20-21, 1967.

The meeting then adjourned.

Secretary