

PRESIDENT'S MEETING WITH THE QUADRIAD
January 23, 4:00 p.m.

1969

The first meeting of the President with the Quadriad took place at 4:00 p.m. on January 23 (the Quadriad consists of the Secretary of the Treasury, the Chairman of the Board of Governors of the Federal Reserve System, Director of the Bureau of the Budget and the Chairman of the Council of Economic Advisers).

The discussion at this meeting was generally rather free-wheeling, with most of it concerned about domestic economic and financial developments, and the external payments problem. There was general agreement that the thrust of economic policy should be in the direction of cooling down the overheated domestic economy, though it was recognized that this would have to be done carefully and gradually to minimize the adverse effect of these actions on unemployment. The Chairman of the Federal Reserve Board said that the System had pulled a boner after the tax increase last year by pursuing for a time an easier monetary policy. This decision heavily reflected projections of their staff that the tax increase might produce an overkill effect, causing substantial slack in the economy. In retrospect this evaluation of prospects was in error. The Federal Reserve, beginning in January, has set out on a less expansive course, their aim being an expansion in the money supply of something like 7 percent.

In regard to the external problem the discussion largely focused on controls over foreign investment. There was general agreement that with prevailing conditions in the money market the interest equalization tax probably had little deterrent effect since credit markets here are extremely tight already. It was also agreed that controls over bank lending probably do not have a major effect because of these same tight credit and money market conditions. On controls of foreign direct investment the issue seemed to be more complex and the Quadriad recommended further study before any action could be proposed.