FEDERAL RESERVE BANK
OF NEW YORK

STATEMENT OF PRESIDENT'S COMMITTEE ON INTEREST AND DIVIDENDS

To All Banks and Other Financial Institutions
in the Second Federal Reserve District:

Following is the text of a statement issued yesterday by the Committee on Interest and Dividends, recently established by the President as part of his stabilization program structure:

The Committee on Interest and Dividends announced today that it expects all lenders to assemble and keep on file their schedule of lending rates on August 15 and thereafter.

The Committee also announced that its attention in the near future will be focused mainly on interest rates closely affecting American families.

In the Committee's judgment, inflationary expectations have moderated since the inception of the program announced by the President on August 15. Market rates of interest have declined in recent weeks in part because lenders no longer require as large an inflationary premium as they did earlier. The Committee anticipates that other interest rates will follow this pattern in the months ahead. The Committee welcomes the reduction of the prime rate announced today by many commercial banks.

However, the Committee pointed out that there may be fluctuations in the level and structure of rates from time to time, reflecting changes in the demand for and supply of funds.

The restraint on dividend payments will continue as previously requested by the Secretary of Commerce and as set forth in Cost of Living Council guidelines. Policy questions with regard to dividends are now under consideration by the Committee. Announcements on these matters will be made in due course.

In view of the demonstrated willingness of financial and other business organizations to cooperate with the President's program, the Committee is confident that appropriate restraint on interest rates and dividends can be achieved on a voluntary basis. The Committee will maintain close surveillance of developments.

Alfred Hayes,
President.