

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 5868]
[September 8, 1966]

Statement on the President's Program to Combat Inflation

*To All Member Banks, and Others Concerned,
in the Second Federal Reserve District:*

The Board of Governors of the Federal Reserve System today issued the following statement:

The program and proposals announced by the President today are directed towards curbing some of the extraordinary demands for goods, services, and credit that have been pressing up prices and interest rates alike.

The Federal Reserve, in the succession of actions it has taken, including its action last week with respect to discount operations, has been directing its efforts to the same purposes. But the Federal Reserve's powers are limited to restraining the growth of spending that is financed by borrowed money.

The contemplated fiscal policy measures, affecting both Government and private expenditures, should operate along with the Federal Reserve's actions in the monetary sphere to combat inflation and to foster sustained, healthy economic growth.

To the extent that presidential and congressional action of this character serve to moderate overall demand in the economy, strains on credit and financial resources, which have been a major factor in the recent rise in interest rates, will be lessened. The Federal Reserve will continue to be alert to any easing of inflationary pressures in order that monetary policy can be adjusted accordingly.

Additional copies of this circular will be furnished upon request.

ALFRED HAYES,
President.