A meeting of the Federal Open Market Committee was held in the offices of the Board of Governors of the Federal Reserve System in Washington on Tuesday, June 26, 1956, at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Balderston
Mr. Erickson
Mr. Johns
Mr. Mills
Mr. Powell
Mr. Shepardson
Mr. Szymczak
Mr. Vardaman
Mr. Fulton, Alternate
Mr. Treiber, Alternate

Messrs. Bryan, Leedy, and Williams, Alternate Members, Federal Open Market Committee

Messrs. Leach, Irons, and Mangels, Presidents of the Federal Reserve Banks of Richmond, Dallas, and San Francisco, respectively

Mr. Riefler, Secretary
Mr. Thurston, Assistant Secretary
Mr. Vest, General Counsel
Mr. Solomon, Assistant General Counsel
Mr. Thomas, Economist
Messrs. Abbott, Willis, and Young, Associate Economists
Mr. Rouse, Manager, System Open Market Account
Mr. Carpenter, Secretary, Board of Governors
Mr. Sherman, Assistant Secretary, Board of Governors
Mr. Miller, Chief, Government Finance Section, Division of Research and Statistics, Board of Governors
Mr. Larkin, Manager, Securities Department, Federal Reserve Bank of New York

Upon motion duly made and seconded, and by unanimous vote, the minutes of the meetings of the Federal Open Market Committee held on May 23 and June 5, 1956, were approved.

Before this meeting there had been distributed to the members of the Committee a report covering open market operations during the period June 5 through June 20, 1956, and at this meeting a supplementary report covering commitments executed June 21 through June 25, 1956, inclusive, was distributed. Copies of both reports have been placed in the files of the Committee.

In commenting on the reports, Mr. Rouse mentioned that net borrowed reserves would tend to rise considerably during the next few days and that he anticipated that repurchase agreements would be made available to take care of this situation.

Mr. Mills inquired why repurchase agreements rather than outright purchases of securities for the System account would seem desirable at this time, when it appeared that additional reserves would be required over a considerable period of time. He also observed that the System account had permitted $51 million of Treasury bills to run off during the past week, and he expressed the view that if this decrease were permitted to show up in the statement for the current week it might be interpreted as a shift in the policy that the Committee had been following in recent weeks.

Mr. Rouse responded that with net borrowed reserves in the $200 million area he felt the run off of bills would not be misunderstood in view of the sharp easing that had taken place since early this month, and the condition of the Government securities market. He also stated that today the System account had purchased $27 million of Treasury bills, having in mind the point that Mr. Mills had mentioned. Mr. Rouse also stated that his thought that repurchase agreements would be a desirable means of meeting part of the increased need for reserves in the next few days was based on the assumption that the Committee would continue at this meeting about the same type of credit policy that it has been following in the past few weeks. He had not had to make a firm decision on the matter pending this meeting. However, he did not feel that some run off in System holdings of securities this week or the possibility that Treasury bill rates might move a little above 2-1/2 per cent would be inconsistent with the policy approved at the meeting of the Open Market Committee early in June, considering the fact that the discount rate continued at 2-3/4 per cent. Mr. Rouse said, in response to a further question from Mr. Mills, that he would have in mind net borrowed reserves in the $200-300 million range in this period.

Upon motion duly made and seconded, and by unanimous vote, the open market transactions during the period June 5 through June 25, 1956, inclusive, were approved, ratified, and confirmed.

Mr. Cherry, Legislative Counsel for the Board of Governors of the Federal Reserve System, entered the room at this point.

Chairman Martin referred to a letter dated June 20, 1956, from Congressman William L. Dawson, Chairman of the Committee on Government

Operations of the House of Representatives, copies of which had been distributed before this meeting. Mr. Dawson's letter requested that in connection with a study by his committee of the operations of the debt management advisory committees utilized by the Treasury, arrangements be made to have Mr. William Pincus, Associate General Counsel for the Committee on Government Operations, received at the Federal Reserve Bank of New York on July 5 and 6, 1956 in order that the proper officials of the New York Bank and of the Federal Open Market Committee might furnish him with an on-the-spot presentation of the activities conducted at the Bank as they relate directly to the operations of the Government securities market. Mr. Dawson's letter indicated his understanding that the Federal Reserve Banks act as fiscal agent for the Treasury Department and that the System also is involved in the operations of the Government securities market by virtue of the holdings of Government securities in the System open market account.

At Chairman Martin's request, Mr. Riefler reviewed earlier discussions with Mr. Pincus, stating that on Friday, June 15, Mr. Miller of the Board's staff received a telephone call from Mr. Pincus inquiring as to various technical problems in the issuance and allotment of Government securities. In the course of the conversation, Mr. Pincus invited members of the Board's organization to come to his office for the purpose of further discussion of these questions. Mr. Riefler stated that after presenting the matter to the Board, he, Mr. Miller, and Mr. Cherry met with Mr. Pincus and other members of the committee's staff. The discussion did not go to Federal Reserve policy as such. At the conclusion of the discussion, Mr. Pincus suggested that members of the committee's staff would like to visit the Federal Reserve Bank of New York for the purpose of obtaining on-the-spot information as to the fiscal agency activities of the Bank and operations of the Government securities market. Mr. Riefler stated that this request was brought to Chairman Martin's attention, who expressed the view that such a visit should be based on a formal request by the Chairman of the Committee on Government Operations, and it was in this manner that Mr. Dawson's letter was received.

Chairman Martin stated that he had discussed this request with Treasury officials at a luncheon meeting this past week, feeling that the Treasury should be fully informed of the nature of the request, and that it was his understanding that the Treasury was not opposed to the proposed visit or to furnishing information to the committee along the lines requested.

In response to a question from Chairman Martin, Mr. Cherry stated that this request was an outgrowth of the investigation of advisory committees to the Treasury being conducted by Mr. Dawson's committee in which there has been considerable discussion of fiscal operations of the Treasury, methods and techniques of entering subscriptions to new issues of securities, the basis for allotment of such securities, the functioning of the Federal Reserve as fiscal agent for the Treasury, and the part played by Government securities dealers in connection with Treasury financings. Mr. Cherry said that it was his understanding that the committee was not exploring monetary relationships as part of its inquiry, and he expressed the view that it would be desirable to cooperate with the committee in so far as that might be feasible.

Mr. Treiber stated that while Mr. Dawson's letter did not make the nature of the visit entirely clear, he felt that the System should assist the committee and its representatives in obtaining information as to the operations of the Government securities market and of the functions of the Federal Reserve Bank as fiscal agent. In doing this, Mr. Treiber said it would be his view that System representatives should avoid discussion of such things as directives of the Federal Open Market Committee but, with that exception, they should be as helpful as possible to Mr. Pincus or other members of the committee's staff.

Chairman Martin said that Mr. Treiber expressed the views which he felt should apply to Mr. Dawson's request. Nothing should be done to place any road-blocks in the way of the committee, and efforts should be made to assist its representatives in obtaining a better understanding of the operations of the Government securities market.

In response to a question from Mr. Johns, Chairman Martin reiterated his understanding that the Treasury would have no objection to a visit such as Mr. Dawson's letter proposed but stated that he would confirm his understanding on this point before the committee representatives visited the New York Bank.

In response to a question from Mr. Vardaman, Chairman Martin stated that he had in mind informing the Chairmen of both the Senate and House Banking and Currency Committees of the visit proposed by Mr. Dawson.

Mr. Treiber stated that he would be glad to send Mr. Dawson a letter regarding the proposed visit of Mr. Pincus and possibly other members of the committee's staff.

There was unanimous agreement with the procedure suggested in the foregoing discussion.

Mr. Cherry withdrew from the meeting at this point.

Chairman Martin called upon Mr. Young, who made a statement with respect to the economic situation substantially as follows:

Onset of summer doldrums finds the economy moving forward on a high and gently rising plateau. Industrial production holds steady within the narrow range it has maintained since last fall, but other areas of output evidence expansive tendency. Credit demands have been showing exceptional strength, but wholesale prices, while firm, have featured little further advance. Stock prices have rebounded some from news of the President's illness, and, reflecting more encouraging news from various economic fronts, business and financial sentiment has a much more confident tone than in the second half of May. Late data flowing in from abroad confirm that expansive trends are being sustained in most foreign industrial countries.

With the second quarter approaching a close, preliminary estimates of the economy's total performance for the quarter can be made. They indicate a GNP figure of $402 billion, up $3-1/2 billion from the first quarter and $5 billion from the fourth quarter, reflecting in part a higher price level. Personal income is estimated at $317 billion, up $3 billion from the first quarter and $5-1/2 billion from the fourth quarter. Disposable income and consumption expenditures are both estimated to be up $4 billion over the past two quarters. Personal savings holds at just under a 7 per cent rate.

The expansive influences carrying total output to new record levels have been larger consumer spending on nondurables and services, larger business spending on plant and equipment, and larger State and local government spending. On the more or less neutral side have been Federal Government spending, residential construction investment, and investment in business inventories. Consumer spending for automobiles has been the main contractive influence.

Other details of the situation may be briefly reviewed:

(1) Industrial production for May is still placed at 142 with the June figure expected to repeat this level.

(2) Retail sales for May showed a 1 per cent gain over April. Nondurable sales were responsible for the advance, durable goods sales about holding even. Judging from department store sales, total and by major departments, thus far in June and from the reported marked pick-up in new automobile sales, further advance in retail sales may be registered this month.

(3) Instalment credit outstandings are estimated to have shown a $150-$200 million rise on a seasonally adjusted basis in May, a little less than in April. The rise in the past two months has reflected mainly increases in personal loans and consumer goods paper other than automotive. Liberalization of credit terms for new automobile paper, which was brought under check late in the fall, has apparently resumed in a moderate way.

(4) Business inventory accumulation for April amounted to about $600 million, mostly at manufacturers and particularly in nondurable goods lines. High retail sales at nondurable goods stores in May suggests that this development was in response to market demands and not a backing up of holdings from retailers to manufacturers. At the distributive level, scattered information up to June points to an even stock position at retailers of diversified consumer hard goods, while current information from the automobile industry points to marked liquidation in June of new car stocks and perhaps some additional work down of used car stocks. Over-all the second quarter is expected to show a reduced rate of inventory accumulation from the first quarter.

(5) Total construction activity holds about at or just under year ago levels, with residential construction down and offset mainly by greater business construction. Contract award data show that strength continues to characterize all major types of construction, as does also further upward trend of construction costs and material prices. Recent reports on residential real estate markets indicate that discounts on

Federally underwritten mortgages have generally increased in recent weeks, but they also indicate that the reduced number of completed housing units is moving without exceptional delays and that the inventory of unsold houses is being held to moderate volume.

(6) Total nonfarm employment in May was at a record level of 51.3 million, 1.5 million above a year ago. Unemployment at 2.6 was about the same as in April. An increase in unemployment is usual in June, reflecting the increase of workers in search of summer employment. The work week in May averaged about 40 hours, about an hour below levels at the end of 1955. Reflecting reduced overtime work in part, average hourly earnings in May showed no change from April and average weekly earnings were off slightly. In June, workers in a number of major industries receive automatic wage rate increases, and in July a wage rate rise goes into effect in the copper industry. The outcome of the steel negotiation is still unknown.

(7) Since mid-May, both industrial and agricultural prices have been relatively stable. On the industrial commodity side, prices of materials have strengthened after earlier marked declines and price increases have been fewer for partially fabricated and finished items. Prices of farm products and foods have held close to mid-May levels, but prices of livestock, wheat, and fats and oils have eased somewhat this month. The decline in livestock prices has reflected larger marketings stimulated by the earlier price advance for livestock.

(8) Abroad in major industrial countries, output continues at high levels, with some irregularity in further increases because of capacity and labor supply limitations. In a number of these countries, the existence of inflationary pressures is shown by the upward tilt of their indexes of average prices.

(9) U. S. exports and imports, on a seasonally adjusted basis, showed renewed strength in May after a dip in April, according to preliminary indications.

Altogether, the total situation looks considerably better than the indications at the last meeting. Observers generally are now raising their sights for the third quarter. The opinion is ventured by some that, assuming no prolonged steel strike, over-all performances in the third quarter, on a seasonally adjusted basis, may well better performance of the second quarter. Regardless of the outcome, one can at least say that the composite picture indicated by the most recent data on production, trade, employment, and prices is not one of an economy in recession or even poised to recede.

Mr. Thomas pointed out that credit developments, like those in other areas, indicated continued strength in the economy. He said that Treasury operations have recently been of prime interest in financial markets, both mechanically and psychologically. The Treasury cash surplus is likely to be close to $5-1/2 billion for fiscal 1956 and the cash balance, exclusive of gold, will probably be around $5-1/2 billion at the end of June. This balance is about a billion dollars less than was expected earlier, owing largely to Treasury purchases of securities, redemption of Commodity Credit Corporation notes, larger redemptions of savings bonds than had been anticipated, somewhat smaller receipts from income taxes withheld, and somewhat larger expenditures. The heavy turning over of funds and shifts from the maturing tax anticipation securities to other investments had affected money markets and Government securities markets recently, making it difficult to bring out underlying trends.

Mr. Thomas referred to the Treasury's borrowing needs during the next seven months, concerning which a memorandum dated June 25, 1956, from the Board's Division of Research and Statistics was distributed earlier during this meeting. The prospect is that the Treasury will have to borrow around $4-1/2 billion during this seven-month period, of which $1-1/2 billion might be deferred until January. About $3 billion would be needed by late August or early September. Refunding operations for the next six months will total around $22-$23 billion, of which the Federal Reserve holds over $9 billion of maturing securities. Mr. Thomas stated that during the first half of calendar 1957 debt retirement might be as much as $8 billion.

The large amount of funds that will be available for debt retirement should influence the types of securities that might be offered by the Treasury in its cash and refunding offerings, Mr. Thomas noted. By the end of the year, there will be a large concentration of outstanding issues in the 1-5 year category which would make new issues in that range not particularly appropriate and the market has not been favorable for longer-term issues. Thus, a one-year rollover plus optional tax anticipation issues would seem best for the refunding offerings, and tax anticipation issues and bills for the cash offerings.

Mr. Thomas said that the capital markets have continued active, with a large volume of new issues being offered or in prospect. Corporate issues are at a high level, with a considerable volume of private placements, and State and local issues are also large. Bank credit developments have been affected by corporate income tax payments, Mr. Thomas said, and while comparisons with the past are made difficult because of date differences, he indicated that business loans at city banks in the three weeks ending June 20 had probably risen close to $1.2 billion, compared with $800 million in June last year and $1.5 billion in March of this year. Other loans have also increased, and banks have added some to their holdings of Government securities in contrast to a decrease in the same period last year.

Deposits and currency holdings of business and individuals, which declined sharply in May, increased during the first two weeks of June, as is usual prior to a tax date. Changes in the money supply this year to date have been close to seasonal, Mr. Thomas said, with little net growth after adjustment for seasonal factors.

Bank reserves have been more freely available in the past month than previously, Mr. Thomas noted, with net borrowed reserves recently around $200 million. The decrease reflected earlier System purchases of securities and a recent sharp increase in float, which more than offset an increase in required reserves. Nevertheless, the money market has not been particularly easy because of the greater liquidity needs that banks have had at this time. The rate for Federal funds has continued close to 2-3/4 per cent; a decline in the bill rate has reflected largely the switching of funds from tax anticipation securities.

Mr. Thomas also referred to a sheet containing recent and projected reserve changes, stating that perhaps as much as $400 or $500 million of additional reserves would be needed during the next two weeks, if net borrowed reserves are to be kept at the $200-$300 million range. He thought some temporary increase in borrowing over the July 4 holiday might occur and would not be undesirable. Some of the added reserves could be supplied through repurchase agreements, which could be retired a little later in July as reserve funds again became available, but there will also need to be some outright purchases of securities if the Committee wishes to avoid an increase in pressure in the market during coming weeks.

One of the problems to be faced by the Committee in the near future, Mr. Thomas said, was how best to supply the projected reserve needs of around $1.5 billion during the rest of the current year. In addition to purchases of Treasury bills, repurchase agreements and member bank borrowing could be relied upon to cover some of the purely temporary needs. The use of member bank borrowing should depend on the climate of credit demands and the attitude of banks. Mr. Thomas also noted that there had been some discussion in banking circles of a reduction in reserve requirements which would release some of the reserves now used by banks in meeting their requirements. The argument advanced for this device is the need to increase bank liquidity, which is now so low that banks might be reluctant to meet essential seasonal loan demands. Mr. Thomas questioned whether such a measure would be appropriate in a period of very strong loan demands with the economy operating at capacity.

Mr. Vardaman inquired of Mr. Thomas whether he believed it undesirable to make outright purchases of Government securities to meet the need for additional reserves during the next two weeks to an amount of, say, $400 million, to which question Mr. Thomas responded that if the staff projections of needed reserves proved to be correct, outright purchases of as much as Mr. Vardaman mentioned would make it necessary for some of the securities to be sold shortly after the Fourth of July holiday. It was for this reason and as a means of avoiding unnecessary churning in the Government securities market that he (Mr. Thomas) felt it would be desirable to meet part of the demand through the use of repurchase agreements.

Mr. Rouse said that he agreed with the views expressed by Mr. Thomas, feeling that some use of repurchase agreements would facilitate operations, particularly in view of the Treasury financing that is expected shortly and of the desirability of maintaining an "even keel" during the period prior to the Treasury's announcement.

Chairman Martin said that he anticipated that the next meeting of the Open Market Committee would be held on Tuesday, July 17. The Treasury's Committee on Government Borrowing would be meeting on July 11, he noted, and it was his view that the problems connected with the Treasury's financing, to which Mr. Rouse had referred, should be considered today. Chairman Martin said that as always there would be difficulty in maintaining an "even keel" and in dealing with tone, color, and other factors in the market. He then called upon Mr. Treiber who made a statement substantially as follows:

> The economy in the aggregate continues to move sidewise at a high level. There have been no new soft spots, and there has been no acceleration of existing soft spots. Indeed, the evidence indicates that a satisfactory adjustment is going on. There appears to be more strength in the economy than there was a month ago. Production, employment, consumer purchases, and capital expenditures are at very high levels. Inventory accumulation has slowed down.
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> As for prices, farm prices continue to firm; industrial raw material prices appear to be inching ahead in spite of declines for some individual commodities in April and May.

Prices are likely to rise at a gradual rate. The steel wage negotiations are coming down the home stretch. It is apparent that the price of steel will rise; the only question is, how much?

The demand for bank credit continues high. The June 15 tax period demand was very high, by past standards, although not as high as in mid-March. In the generally balanced current situation, price inflation is still a threat and further relaxation of restraint is not called for.

It looks as if the Treasury will announce the terms of its refunding financing about the middle of July and that it will undertake cash financing of a couple of billion dollars a few weeks later.

The money market has been under less pressure in recent weeks. In a period when there is customarily a great deal of churning in the market, the System has made it clear that needed credit will be available. While the rate on Federal funds has continued at 2-3/4 per cent, the rate on Treasury bills is now a bit below 2-1/2 per cent, and the rate on bankers acceptances has recently been reduced to 2-1/2 per cent. The sharp drop in the rate on Treasury bills in the last week or so apparently reflected a temporary distortion in anticipation of the reinvestment of the proceeds of the tax anticipation certificates which matured Friday. That demand having been met, the disparity between bill rates and the discount rate has narrowed again.

Observers have been conscious of the System's desire to prevent mid-June technical factors from causing strain. They are watching to see whether recent System action is directed primarily to the technical situation or whether it foreshadows an easier credit policy. We should continue to make reserves available to meet the basic needs of growth and to meet seasonal needs, such as the midyear currency demand. Since the Treasury will be announcing its financing arrangements before, or at about the time of, the next meeting of the Committee, we should contribute to the maintenance of an "even keel" in the market. We should avoid, however, indicating a basically easier policy.

The contraction of float and the outflow of currency currently going on have withdrawn reserves from the banking system and have increased net borrowed reserves somewhat. This should help correct the present distortion in Treasury bill yields before the System begins outright purchases of Treasury bills. Since part of the reserves needed over the early part of July will be temporary in nature, repurchase agreements should be used in the first instance, supplemented by outright purchases to supply reserves needed more permanently.

The trend toward easier conditions which has been pursued in recent weeks has served a highly useful purpose. The purpose

> having been accomplished, we should now seek to stabilize money market conditions. We should pay particular attention to the Treasury bill rate and the tone in the market. Recognizing that "net borrowed reserves" are but one of many factors indicating the tightness of the money market, we could stand a higher range of net borrowed reserves than we have had in the last two weeks; net borrowed reserves amounting to something over $200 million--perhaps in such a wide range as $200 to $400 million--would seem appropriate.
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> The officers of the Federal Reserve Bank of New York believe that there should be no change at this time in the Bank's discount rate.

Mr. Johns said that he had nothing significant to report by way of data from the Eighth District. He had no reason to disagree with the summary of general conditions presented by Mr. Young, although he might have some question regarding the general employment picture because of a seeming tendency for unemployment compensation claims to resist declines. In view of the present apparent state of the economy and the apparent expectations of business people and consumers as well, Mr. Johns said that no further relaxation of monetary and credit restrictions was indicated at the moment. The question was whether there had been such a change in the business picture as to indicate a need for greater restraint. Mr. Johns said he was not sure whether there had been a turn-around in the business picture or whether at an earlier period the Committee may have misread the signs, but at the moment he was not inclined to believe that greater restraint was indicated. Therefore, he would undertake to maintain net borrowed reserves somewhere in the neighborhood of $300 million although he would not be disturbed by fluctuations from this figure. He hoped that the Treasury bill rate would be at or slightly above 2-1/2 per cent. As to the discount rate, Mr. Johns said that he did not believe the rate at the St. Louis Bank (now 2-3/4 per cent) needed to be changed at the present time.

Mr. Johns said that he was glad that the use of a reduction in reserve requirements as a possible means of meeting some of the need for reserves later this year had been mentioned. He recalled that Chairman Martin had stated recently before a Congressional Committee (Subcommittee on Economic Stabilization of the Joint Committee of the Economic Report) that present reserve requirements are probably too high. Mr. Johns said that it seemed to him that the System should be searching for opportunities to reduce reserve requirements rather than for reasons not to reduce them. He recognized that there was a problem of public relations if reserve requirements were reduced at a time monetary policy was restrictive, but he felt this would be mitigated if at the same time there was a considerable seasonal need for additional reserve funds which the System needed to supply and which the Committee had indicated would be supplied. Mr. Johns noted that changes in reserve requirements had been referred to as a blunt instrument, as a meat-axe approach to monetary policy. However, he felt it time to explore whether the System could supply some of the reserves that would be needed by a reduction in reserve requirements later this year. He suggested that a reduction of 1/2 per cent in reserve requirements across the board would release approximately

$700 million in reserves and, while this might not be desirable now, later in the summer or autumn consideration might well be given to release of around $500 million by lowering reserve requirements. He thought that by telling why the reduction was being made, it would be possible to offset undesirable public relations that otherwise might result from such action.

Mr. Bryan said that the economic situation in the Sixth District seemed to be relatively stable. Mortgage credit apparently is becoming very scarce, and discounts on mortgages are increasing in the Atlanta area. He would not now recommend a change in the policy the Committee has been following. While he had fear of a policy action that would seem to be dramatic, at the same time he had a great deal of sympathy for the view Mr. Johns had expressed regarding reserve requirements. Mr. Bryan referred to the figure of $400-$500 million of added reserves that Mr. Thomas had mentioned as probably being needed during the next two weeks if net borrowed reserves were to be maintained at the $200-$300 million level, and he suggested that requirements against time deposits might be reduced from 5 per cent to 4 per cent as a means of meeting much of this demand since it would free in the neighborhood of $400 million.

Commenting further on a question from Mr. Vardaman as to timing, Mr. Bryan noted that projections indicated net borrowed reserves averaging over $700 million during the week ending July 4.

Mr. Thomas commented that if $400 million were released through a reduction in reserve requirements early in July, it probably would be necessary to sell some $200 million of securities from the System account soon after July 4 as currency returned from circulation.

Mr. Williams said that the economy of the Philadelphia District was continuing to move sidewise. Psychologically there was more optimism than three weeks ago. He presented comparative figures showing that new automobile sales in the district had been relatively better this year than in most other areas, and he cited comparisons of department store sales as well as strong demands for credit as evidences that upward pressures were likely to continue. Mr. Williams noted a growing tendency on the part of small business concerns to use term loans at commercial banks on the grounds that pressures are likely to continue to force them into plant and equipment expenditures in order to remain competitive, and that they do not have available facilities for obtaining funds for that purpose except at the commercial banks. Mr. Williams also noted that national concerns were activating lines of credit at Philadelphia banks. In summing up, Mr. Williams said that he could see no need for any further relaxation in credit policy, that he felt the discount rate should stay where it is, and that net borrowed reserves might be permitted to range around the levels that have prevailed for the last couple of weeks.

Mr. Fulton said that it now appeared quite likely that there would be a steel strike. Even a limited strike period would be felt severely in the Fourth District, but it would furnish an impetus to a very high level of steel production during the fourth quarter of the year. Other activities such as machine tool and paper production were continuing at a very high rate. Mr. Fulton said he would not favor any further relaxation in open market policy at this time and, in fact, the present policy may have produced more relaxation than was needed to take care of seasonal needs. He suggested that net borrowed reserves of $350 million or more would be quite appropriate during the next few weeks. He also said that he concurred in the view that reserve requirements could well be reduced from their present levels. There should be no change in the discount rate at this time.

Mr. Shepardson said that the general atmosphere seemed to have improved in recent weeks and that there was a little more optimism than existed a month or so ago. Possibly there had been a little slackness in the money market during the past week or so, and he would be inclined to take up some of this slack although he would not favor action that would place greater restraint or pressure on the market. From the standpoint of agriculture, Mr. Shepardson noted that a number of areas had suffered severely in their crop outlook because of drought. Mr. Shepardson said that he too had been thinking about reserve requirements and had come to the conclusion that any change in the level of requirements should be deferred until later on.

Mr. Mills called attention to the fact that at its last meeting the Open Market Committee was influenced by the doubts that had been raised in many quarters about business prospects and that at that time it would have welcomed a more optimistic sentiment in the business community. In the face of improved business sentiment, he felt it would now be a mistake to shift System policy toward more severe credit restriction because of a hagridden fear of an inflation bogey. Inasmuch as the System previously indicated by word and action that credit would be available for the requirements of the economy, a shift at this time to a tighter monetary policy would be construed as a reversal of earlier policy declarations and could have damaging consequences. Mr. Mills contended that as a matter of fact the reduction brought about in the level of negative free reserves in recent weeks has not resulted in the degree of ease that might have been expected from having supplied so sizable a volume of new reserves, and for the reason that member banks employed the new reserves at their disposal to the liquidation of their discounts at the Federal Reserve Banks. It was brought out that as the new reserves that were supplied by System action were canceled out through the retirement of Federal Reserve Bank discounts, through which the member banks had previously supplied themselves with reserves on their own initiative, a base for building a harmful expansion of credit had not been laid. The fact that the rate on Federal funds has held continuously at 2-3/4 per cent would seem to bear witness to a generally tighter money market condition than might have been indicated by only looking at the reduction effected in the level of negative free reserves. Mr. Mills went on to say that this experience suggested that under present conditions the volume of Federal Reserve Bank discounts might be a better indicator of the degree of tightness in the money market than the level of negative free reserves and that System actions to vary the outstanding volume of Federal Reserve Bank discounts could be constructively used to achieve System policy objectives.

In the light of this reasoning, it was Mr. Mills' opinion that direct purchases of Treasury bills for the System open market account should be undertaken promptly in order to prevent the shrinkage in the supply of reserves that it is estimated would otherwise occur and by a process that would result in a gradual increase--rather than in an abrupt increase--in the System open market account's Treasury bill holdings. In carrying out this policy, repurchase agreements would be used to even out reserve situations that could not be treated as well through the vehicle of direct Treasury bill purchases.

Mr. Mills had in mind that a level of negative free reserves of $200 million or less would be visible evidence to the financial and business community that the System was not reversing its policy and was prepared to supply such reserves as were necessary for the seasonal and growth requirements of the economy. He was inclined to believe that of late the factor of growth had been neglected in System policy thinking. And according to his reasoning, the current objectives of System policy in supplying reserves should therefore take into account both the seasonal and the growth requirements of the economy. As to the question of a reduction in reserve requirements, it was Mr. Mills' belief that the subject deserves study but that no such action should be taken at least until later in the year.

Mr. Vardaman said he agreed with everything that Mr. Mills had said under existing circumstances. The attitude of the public during the last three weeks has been one of hope, he said, and the System should not do anything to dampen that feeling. Producers and consumers seem to be moving pretty well together and nothing should be done to get one or the other out of step. Policy should be continued about as is, but there should be no indication in the slightest degree of any further tightening at the present time. A reduction in reserve requirements at this time would be magnified out of its importance, Mr. Vardaman said; he was not sure that reserve requirements on time deposits should not be reduced, although he was confident that that should not be done at present. Consideration might, however, be given to such a proposal along in late August or September. Mr. Vardaman said that he would suggest negative free reserves around $200 million. Also, he would prefer to rely first on outright purchases of securities and would let repurchase agreements be used as a means of meeting additional reserve needs, rather than to rely primarily on repurchase agreements to make reserves available in the period immediately ahead.

Mr. Leach said that the month of June brought no appreciable change in business conditions in the Fifth District. He agreed with the staff that the third quarter now looks a little better than it did three weeks ago. Loan demand continues high in the Fifth District, he said. Although the loan-deposit ratio of the weekly reporting member banks is only 46 per cent compared with a national average of almost 56 per cent, many Fifth District banks have indicated that they are at or above their desired goals in terms of the relation of loans to deposits. During the last several days, some of the larger banks of the district have returned to the discount window after having been out of debt for a period.

Mr. Leach said that the Committee's actions to reassure the market of the availability of reserves over the tax date resulted in a much lower level of net borrowed reserves. He thought it desirable to leave net borrowed reserves at this lower level for the time being. This presumably would require substantial additional purchases of Government securities in the near future to prevent undesired tightening. No change in the Committee's directive was needed at this time, Mr. Leach said, and consistent with this position he did not propose to recommend to the board of directors of the Richmond Bank a change in the discount rate at present. Mr. Leach said that he felt that reserve requirements are higher than they should be but he would not suggest a decrease at the present time.

Mr. Leedy presented comparisons which showed that employment in the Tenth District during the first four months of 1956 had increased by significantly lower percentages than in the United States as a whole, in comparison with both the first four months of 1955 and the first four months of 1953. He also stated that agricultural conditions in the Tenth District this year are not quite as good as last year. On the national picture, Mr. Leedy suggested that the Committee's activities in furnishing additional reserves to the market may themselves have contributed to the recent improvement in business sentiment. The commentators may have gone too far in their interpretations of the Committee's operations and intentions in recent weeks, he said, and he noted that Mr. Treiber had expressed the view that market observers had appraised these actions as "bridging the gap" of the June tax period without coming to the conclusion that there had been any change in credit policy. Mr. Leedy said that he had a different impression, feeling that rather generally observers believed that there had been a change in policy in the direction of a very definite easing. At this juncture he felt that no action could safely be undertaken to correct this impression, he said; he would not favor any tightening in the immediate future and as a matter of fact he felt the pattern of operations that had been followed during recent weeks should be continued. This would mean the level of net borrowed reserves should not be permitted to exceed $300 million and perhaps should trend downward. Notwithstanding the optimism that seems to exist, Mr. Leedy said that he felt that uncertainties with respect to a steel strike, the layoffs that would take place during the summer because of vacations and for other reasons, and the uncertainties that must exist in the minds of many persons with respect to the President's intentions meant that this was not the time to be trending in any direction other than that in which the Committee has been moving during the past few weeks. He felt the System account should purchase bills to whatever extent they were expected to remain in the portfolio, and it should supply additional reserves through repurchase agreements to the extent that might be needed, particularly during the period until the Treasury's financing is out of the way.

Mr. Powell said that there was a very high level of economic activity in the larger cities of the Ninth District and in the mining areas, but that in the Western part of the district some areas were faced with a severe drought--some crops were already gone and replanting was necessary. Retail trade is up in the larger cities and employment is at a new high, largely because of increased employment in manufacturing of certain products such as industrial machinery and electrical equipment. Construction is up 26 per cent over a year ago even though residential building is down about 4 per cent. Retail trade in country areas is below a year ago and recently the figures have shown greater decreases than earlier in the year. Farm implement sales are down and the general agricultural outlook is not good.

Mr. Powell said that he would favor a reduction in reserve requirements on time deposits, a move which would be particularly beneficial to country banks. He could not see that there would be any harm in such a reduction at an early date. The 3 per cent discount rate of the Minneapolis Bank still seemed appropriate in view of the rather feverish activity in the principal cities of the Ninth District. However, there was growing concern about the position of banks in country areas where a number were now borrowing and additional banks would soon begin to borrow seasonally. Mr. Powell said he did not know what the directors of the Minneapolis Bank would decide about the discount rate at their meeting to be held in July, in view of the diverse conditions that he had described as prevailing in the Ninth District. With respect to open market operations, Mr. Powell felt that a middle of the road policy was indicated at this time. We had gotten through the June tax period successfully and there was no reason for making money cheaper at this time. A level of net borrowed reserves in the $200-$400 million range seemed appropriate for the immediate future. If it seemed desirable to do any substantial easing, Mr. Powell would be sympathetic to a reduction in reserve requirements on time deposits as a means of easing the situation where ease would be most needed.

Mr. Mangels said that economic conditions in the Twelfth District continued good with a fractional rise in employment and a decline in unemployment during May. Automobile plants in Southern California, at which layoffs took place earlier this spring, were now anticipating a reversal of that situation and additional employment was also expected in the aircraft, fruit packing, and other industries. The West Coast labor situation is very tight. New automobiles sales in May were 20 per cent below a year ago. The lumber situation in the Pacific Northwest appears a little brighter than a month ago and there have been some increases in prices of Douglas fir. A number of industries recently have granted wage increases.

Bank loans continue to increase, Mr. Mangels said, and following the pattern he had reported before, a third of the increase in the national total of loans at reporting member banks during the four weeks ending in mid-June took place in the Twelfth District. On the other hand, borrowings at the San Francisco Reserve Bank last Thursday were by only two banks in the amount of $29 million. Both of these banks have been consistent borrowers and are also using Federal funds. Since the first of the year, 21 of the 25 reserve city banks have borrowed from the San Francisco Reserve Bank, Mr. Mangels said, while in other large cities only 10 banks have borrowed since the beginning of the year. Only three country banks have borrowed in that period. Mr. Mangels referred to a meeting held at the San Francisco Bank week before last attended by the presidents of all banks in Los Angeles and San Francisco and to a discussion of the loan demand following the meeting. The general feeling was that banks needed more deposits and less loans, and some were concerned as to how they would meet the demand for loans. One banker thought that the demand for commercial and industrial loans had now reached its peak. Some of the bankers expressed the hope that reserve requirements would be reduced to assist them in meeting loan demands. Mr. Mangels also referred to comparisons made of the ratio of loans to deposits in the Twelfth District and in New York, and to a discussion regarding why Twelfth District banks should be penalized with a 3 per cent discount rate when banks in New York with a higher loan-deposit ratio had a lower rate. The comparisons which Mr. Mangels presented devoloped the fact that the increase in the ratio of loans, exclusive of real estate loans, had been greater in the San Francisco District than in the New York District. Mr. Mangels said that the San Francisco Bank's directors voted to maintain the present 3 per cent discount rate at their June meeting although not by a unanimous vote. The question would again be considered at the meeting scheduled for July 11 and Mr. Mangels said that he did not know what action would be taken. There has been a definite improvement in psychology in recent weeks, Mr. Mangels said, and whereas a short time ago many were talking about a poor third quarter, the general attitude now is to look for a bright fourth quarter. Mr. Mangels said he did not think all the inflationary dangers were past but that, as Mr. Mills had indicated, it would not be desirable to move toward a more restrictive policy. On the whole, he would favor a continuation of the situation about as it had existed during the past three weeks.

In response to a question from Mr. Leach as to why member banks in the Twelfth District would borrow from the Federal Reserve Bank at the 3 per cent rate when Federal funds were available at 2-3/4 per cent, Mr. Mangels said that the two banks borrowing were using Federal funds, and they were discounting at the San Francisco Reserve Bank to obtain the additional reserves which they needed.

Mr. Irons said that conditions in the Dallas District continue strong. Department store trade is about seasonal. Employment is up both in manufacturing and in total nonagricultural activity, and estimates of industrial production show some gain. Confidence is strong. Agricultural conditions have deteriorated within the past three to five weeks because of lack of rain but in most agricultural areas income is also produced from oil and gas leases and other activities. Automobile sales have improved in recent weeks, as has the attitude of automobile dealers. Production of chemicals has increased and on the whole economic conditions in the Eleventh District are generally strong. Observers expect about the usual seasonal movement during the third quarter of the year and a good fourth quarter. The national picture points to strength.

Mr. Irons stated that he would like to see no further easing of credit policy although he has been pleased with developments in the last three weeks. He would like to see the Federal Reserve maintain a condition of firmness in the market without moving toward further ease beyond what has already been attained. Mr. Irons said that he had decided to give up using figures of net borrowed reserves because he doubted their meaning. He did not feel that the easing in the money market in recent weeks had been as great as was indicated by a reduction from $600 million to $100 million in net borrowed reserves. Mr. Irons said he would not recommend a change in discount rate to his directors at the present time and that Mr. Treiber had expressed the view he held, that is, the Committee should attempt to stabilize money market conditions at their present state and to be in a position to move in whatever manner was called for in the next few weeks.

Mr. Erickson said that conditions in the First District still remained strong and that favorable factors outweighed the unfavorable. Employment in the Boston area is getting tight. Loans did not increase prior to the June tax date as much as had been expected. Easing of restraints during the past three weeks had resulted in a turn-around in borrowings at the Boston Reserve Bank, with less than half as many banks borrowing as a little earlier. Mr. Erickson said that at this time he would suggest no change in the Committee's directive, would hope that the discount rate would remain at its present level, and that he was inclined to agree with the view Mr. Shepardson had expressed that the Committee might take up some slack during the next two or three weeks. He would prefer net borrowed reserves in the $250-$300 million range. Reserve requirements are too high, Mr. Erickson said, but this question should be given further study before action was taken to make any change in the present level.

Mr. Szymczak said that in his opinion the major question before the Committee at the present time was related to the Treasury's plans. The Treasury is about to carry through a large refunding operation and it will need to obtain new money shortly. This being the case, the Committee should provide some measure of stability to the market so that the Treasury will be able to enter the market with its refunding and cash offerings, knowing what the market will require in the way of interest rates. Statistics that have become available regarding economic activity a month or two ago show that conditions were not deteriorating at that time as much as the Committee was then inclined to think. This might be a warning to the Committee not to become so concerned as some reports and comments might suggest. On the other hand, Mr. Szymczak said that he felt the Committee had met the situation properly during the recent tax period. He thought the Committee should now concentrate on its over-all objectives in the light of the Treasury's needs and should seek to keep the market as stable as possible. It should provide reserves by buying Government securities outright and also by making repurchase agreements available, and by preparing to do whatever the situation called for as we move into July.

Mr. Balderston said he shared the views expressed by most of the members of the Committee. The immediate problem is one of timing, because of the impending Treasury financing, and the Committee should look beyond the next meeting tentatively set for July 17. It would be comforting not to have to determine the degree of tightness until after we know whether there will be a steel strike; on the other hand, July 17 would be too late to change our posture. Business psychology seems to have improved recently as retail trade has gained and as plant construction has continued to provide underlying support. The wage and price increases that are impending plus the strong loan demand suggest that the slackness often associated with the summer "doldrums" may have been offset.

Mr. Balderston said he would hope that the discount rate would not be lowered because of the effect such action might have on public psychology: he would like to see the System retain present discount rates and aim at a net borrowed reserve target of about $250 million. Whatever posture we adopt today should permit us to move in either direction as summer comes to an end. At that time the pressure on prices and demand for loans may be very heavy and the Federal Reserve may wish to apply the brakes vigorously. However, if a prolonged steel strike causes business psychology to turn sour, the System may wish to give business a stimulus. Mr. Balderston said he would like to see the Committee adopt today a policy that can be adhered to throughout the period of the Treasury financing and also permit the Committee to move toward either tightness or relaxation without too much commotion in the press. He was very happy, he said, with developments of the past few weeks and he felt that the System had accomplished what it set out to do. It should now adopt a stance that will serve the Committee between now and late August.

Chairman Martin said that he thought it apparent that the views expressed this morning were not far apart and, although the policy to be followed was not crystal clear, it was reasonably clear. He emphasized the factor of stability in relation to the Treasury financing, stating that we were now getting into one of those periods in which the Committee always seemed to find difficulty in gauging the market in terms of the phrases it uses--psychology, tone, and color. The Committee was seeking to foresee the needs and developments for the next several weeks, but it was not possible to judge precisely the results of the policy that might be agreed upon.

The Chairman went on to say that he could fully understand the views expressed by Messrs. Powell and Mangels regarding the discount rate, but he also wished to note that any change in discount rate would create a problem if it came in the midst of the Treasury financing. We could not know in advance how a change would be construed by the public and, as indicated by the comments of Messrs. Leedy and

Treiber this morning, our judgments of the public opinion differ.

Chairman Martin said that he agreed with Mr. Irons in his desire to get away from using net borrowed reserve figures. Perhaps these figures had led the Committee down a path that it would have been wiser not to have gotten on to. However, if we were to use these figures, the Chairman said that during the period just ahead he would prefer something around $200 million of net borrowed reserves, assuming that this would create stability. This would call for rather drastic action in view of the projections indicating that, without System operations, net borrowed reserves might rise to the $700 million level within the next two weeks. He recognized that instead of $200 million, the figure might range up to $300 or $400 million.

Chairman Martin cautioned that the Committee not be misled by rapid shifts in sentiment such as we have seen in the last few months. Mr. Szymczak had called attention to the fact that recent statistics of business had not borne out the sentiments that existed a few weeks ago. Sharp swings in sentiment such as these must be discounted by the Committee, no matter which way they go and even though business people are influenced by the feeling at the moment. The summer doldrums are coming on us, Chairman Martin said, but some slipping off during the summer is entirely normal and is not necessarily a reflection of the state of business. On the whole, his view was that with the Treasury financing problem coming up it would be preferable to resolve doubts on the side of ease rather than to take actions that might be construed as additional restraint. He would prefer this regardless of what commentators might say or misconstrue regarding System policy. He was referring to the summer period, he said, and could foresee the possibility that the System might find it desirable to move across the board toward substantially greater restraint in the fall. If it were not for the Treasury financing, he would be sympathetic to the view expressed by Mr. Shepardson that it would be desirable to take slack out of the market at this time. But the Treasury refunding would come at a time when there were other opportunities for use of funds and it might not be handled as easily as the Committee would hope.

Chairman Martin said that his interpretation of this meeting was that none of those present wished to change the Committee's directive. He would also interpret the comments as desiring "stability" or an "even keel" from the Committee's daily operations. None of the members of the Committee indicated disagreement with Chairman Martin's statements of policy to be followed, and he then called upon Mr. Rouse for comments regarding the suggested policy and operations for the System account during the next three weeks.

Mr. Rouse said that the policy stated by the Chairman would be difficult to achieve. Repurchase agreements would be availed of the next few days to the extent needed and there would be outright purchases for the System account and, later on, sales of Government securities.

He felt that the Committee should have in mind that the market has been very conscious of the Treasury's doing financing in a relatively easy period followed almost immediately by tightening in the market. Dealers and participants generally feel they have had a raw deal in this respect. Mr. Rouse thought there would be an advantage in not permitting the market to get too easy during the next few days, particularly if there seemed to be a good chance of its tightening up fairly soon, because the Committee probably would be faced with the need for maintaining an even keel into the period of the Treasury's cash financing. Mr. Rouse also said in response to a question from Chairman Martin that he interpreted the sense of the meeting as calling for stability with around a quarter of a billion dollars of net borrowed reserves. As Chairman Martin had indicated, this would require judgments as to tone, color, and state of the market in general.

Mr. Bryan said that he agreed with the comments on the importance of stability in this situation. However, he felt there had been an adequate demonstration that the Committee did not get stability for a Treasury financing on the basis of stability of free reserves or something of that sort. Stability could be gotten in the market on a rate basis because financing is done on a rate basis, not on reserves.

Mr. Bryan also referred to the suggestion that some of the reserves that would be needed be provided by a reduction in reserve requirements, and he stated reasons why he believed the System might do well to take every opportunity that presented itself to do something in the way of bringing requirements down to the statutory minimum.

Chairman Martin stated that there was a good deal to what Mr. Bryan said but that in his judgment a reduction in reserve requirements should not be made in connection with the Treasury refunding. There was a problem of whether such action would be interpreted as an overt change of policy, Chairman Martin said, and his judgment was that the most opportune time to consider a reduction would be in connection with the Treasury's cash offering. He did not know whether the System would wish to change reserve requirements at that time but it should study the question and if a change were to be made, it could state openly and frankly the purpose of the reduction.

Mr. Szymczak said that some of the instruments of credit were largely psychological in the interpretations placed upon them by the public. A reduction in reserve requirements at a time when a restrictive monetary policy was being pursued would almost inevitably confuse the public. One question was whether this was the time when the System wished to confuse the public.

Mr. Treiber said that he agreed basically with the views Chairman Martin had expressed. He thought it would be a mistake to reduce reserve requirements at this time. Generally speaking a change in reserve requirements is recognized by the public as a symbol of a change in credit policy, more so than a change in the discount rate. It would not be desirable to send up a signal at this time that the public was likely to interpret as it would a change in reserve requirements.

Chairman Martin said that he hoped the Committee could get away from the use of net borrowed reserves in its discussions. However, if net borrowed reserves were suddenly to rise to the projected $750 million level, such a figure would attract a great deal of attention that a more modest figure would not attract. It would be unwise to permit the level to rise to anything like that figure because of the interpretations that would be put on it, particularly if a strike in the steel industry should take place. He then suggested that, unless there were further comments on the policy to be followed during the next three weeks the existing directive to the New York Bank be approved without change.

Thereupon, upon motion duly made and seconded, the Committee voted unanimously to direct the Federal Reserve Bank of New York until otherwise directed by the Committee:

(1) To make such purchases, sales, or exchanges (including replacement of maturing securities, and allowing maturities to run off without replacement) for the System open market account in the open market or, in the case of maturing securities, by direct exchange with the Treasury, as may be necessary in the light of current and prospective economic conditions and the general credit situation of the country, with a view (a) to relating the supply of funds in the market to the needs of commerce and business, (b) to restraining inflationary developments in the interest of sustainable economic growth while taking into account any deflationary tendencies in the economy, and (c) to the practical administration of the account; provided that the aggregate amount of securities held in the System account (including commitments for the purchase or sale of securities for the account) at the close of this date, other than special short-term certificates of indebtedness purchased from time to time for the temporary accommodation of the

> Treasury, shall not be increased or decreased by more than $1 billion;
>
> (2) To purchase direct from the Treasury for the account of the Federal Reserve Bank of New York (with discretion, in cases where it seems desirable, to issue participations to one or more Federal Reserve Banks) such amounts of special short-term certificates of indebtedness as may be necessary from time to time for the temporary accommodation of the Treasury; provided that the total amount of such certificates held at any one time by the Federal Reserve Banks shall not exceed in the aggregate $500 million;
>
> (3) To sell direct to the Treasury from the System account for gold certificates such amounts of Treasury securities maturing within one year as may be necessary from time to time for the accommodation of the Treasury; provided that the total amount of such securities so sold shall not exceed in the aggregate $500 million face amount, and such sales shall be made as nearly as may be practicable at the prices currently quoted in the open market.

Chairman Martin referred to Mr. Sproul's suggestion, made prior to his leaving New York, that a copy of the memorandum prepared at the Federal Reserve Bank of New York under date of September 29, 1955 entitled "Notes on Debt Management, the Structure of the Debt, and Credit Policy" be sent to the Treasury for consideration along with the memorandum prepared by Mr. Riefler under date of April 10, 1956, on Experience Since the Accord with Short-Dated Federal Debt. Chairman Martin went on to say that he thought it would be just as well to let the Treasury have the memorandum, although he would not wish to transmit it as a memorandum bearing the endorsement of all members of the Open Market Committee since in his view it raised questions on which there was not agreement. He suggested, therefore, that the memorandum be transmitted to the Secretary of the Treasury as one prepared at the

Federal Reserve Bank of New York and distributed to members of the Federal Open Market Committee by Mr. Sproul, who had suggested that a copy be furnished to the Treasury in order that it might have the benefit of the paper.

Mr. Treiber stated that he thought this would be a good way to proceed, that the memorandum represented "thinking out loud", and that to whatever extent it might be helpful it seemed desirable to make it available to the Treasury without the endorsement of the Open Market Committee.

It was understood that the procedure suggested by Chairman Martin would be followed.

Secretary's note: Chairman Martin transmitted a copy of the memorandum referred to above to Secretary of the Treasury Humphrey under date of June 27, 1956.

Chairman Martin noted that the proposal made by the New York Bank that it be authorized to engage in swaps in Treasury bills, originally suggested in Mr. Sproul's memorandum of May 3, 1956, had been placed on the agenda for discussion at this meeting. He said that Mr. Robertson who was unable to attend this meeting held rather firm views on this matter and that in view of the lack of pressure for a decision it would seem desirable to carry it over until a meeting when Mr. Robertson might be present.

There was agreement with this suggestion.

Chairman Martin noted that the next meeting of the Committee would be held on Tuesday, July 17, 1956.

In response to a question, Mr. Treiber commented briefly on the status of the proposed section 13b loan to Studebaker-Packard Corporation, referred to at the meeting held on June 5, 1956.

Thereupon the meeting adjourned.

Winfield W. Riefler
Secretary