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, July 17, 1956, at 10:00 a.m.

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

Messrs. Bryan and Leedy, 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. E. C. Harris, First Vice President, Federal Reserve Bank of Chicago

Mr. Riefler, Secretary
Mr. Thurston, Assistant Secretary
Mr. Vest, General Counsel
Mr. Thomas, Economist
Messrs. Abbott, Parsons, Roelse, 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. Gaines, Manager, Securities Department, Federal Reserve Bank of New York

Upon motion duly made and seconded, and by unanimous vote, the minutes of the meeting of the Federal Open Market Committee held on June 26, 1956, were approved.

Chairman Martin stated that advice had been received of the election of Mr. Treiber as a member of the Federal Open Market Committee for the month of July 1956, succeeding Mr. Sproul whose resignation became effective June 30, 1956, and that Mr. Treiber had taken the oath of office for this position.

Before this meeting there had been distributed to the members of the Committee a report covering open market operations during the period June 26 through July 11, 1956, and at this meeting a supplementary report covering commitments executed July 12 through July 16, 1956, inclusive, was distributed. Copies of both reports have been placed in the files of the Committee.

Mr. Rouse referred to the current Treasury refunding (an offering of 12-1/2 month 2-3/4 per cent notes in exchange for $12,388 million 2 per cent notes due August 15, 1956 and $550 million 1-1/2 per cent notes due October 1, 1956), stating that it now appeared likely that there would be a fair amount of attrition because of the desire of many holders of maturing securities to receive cash rather than the new issues. Mr. Rouse also referred to a sale of three million bales of cotton by Commodity Credit Corporation for which payment was to be received on August 1 and to the fact that this sale would be financed partly through bankers' acceptances and partly through bank loans. He stated that while this operation would not affect the reserve position of banks, since the CCC would have to make payment on a similar dollar amount of guaranteed crop loans on August 1, it might have an effect on the rate structure since the total financing cost for bankers' acceptances would approximate 4 per cent or about the same as the rate that would be charged by banks on loans to prime borrowers on this collateral. Mr. Rouse did not feel that the banks were likely to raise their prime rate, but he thought there was some chance that the acceptance rate would be increased. Mr. Rouse also stated, in response to a question, that he thought there was no likelihood that the banks would reduce the 1-1/2 per cent commission fee on acceptances.

> Upon motion duly made and seconded, and by unanimous vote, the open market transactions during the period June 26 through July 16, 1956, inclusive, were approved, ratified, and confirmed.

Chairman Martin called upon Mr. Young who made a statement on the economic situation substantially as follows:

> Economic activity recently has been showing broad strength, with most recent data confirming an upward tilt to the over-all trend. Broad strength also appears a characteristic of economic conditions abroad. Wholesale prices domestically have been relatively stable for two months now, but average consumer prices have shown more upslant than for some time. Abroad in industrial countries, trends of average prices continue upward. Credit demands throughout the economy remain very active and business and financial sentiment feature an optimistic tone. Thus far, the impact of the steel strike appears to have been limited to the steel industry and closely related activities.
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> The most recently reported facts merit brief review:
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> 1. The big statistical news is a revision of the GNP estimates. These show that the decline in activity from 1953 to 1954 was somewhat more moderate than shown by previous estimates and that the recovery from mid-1954 to the third quarter was larger than earlier estimates indicated. The quarter-to-quarter changes since the third quarter are about

the same for the two estimates. The revised first quarter GNP estimate comes to $403 billion, which compares with $399 billion under the old estimate. The revised second quarter estimate reaches $407 billion, compared with a preliminary $402 billion on the old basis.

2. In the rise of GNP from the first to the second quarter this year, most components were up. The important exceptions were consumer durables, mainly automobiles, and residential construction.

3. Personal income on the new basis probably averaged $324 billion in the second quarter, up $4 billion from the first quarter. Major income shares, except farming, all rose further; farm income showed little change but was below last year by about 7 per cent.

4. Industrial production in June is tentatively estimated at 141. This is down from May but still within the range of the past ten months.

5. The decline in output at factories and mines from May to June reflects a combination of lower steel production and a slight reduction in textile, rubber, and leather products output. Reduced output in these lines was offset in part by some rise in output of producers' equipment and building materials.

6. Retail trade in June remained at the record May high. For the whole second quarter, retail sales probably averaged close to the volume of the fourth quarter of last year despite reduced levels of auto sales, and above the first quarter average. Sales at nondurable goods stores were especially strong. June sales at department stores were slightly above May levels and, so far in July, sales at department stores look up a little from June.

7. Business sales in May generally showed a definite upswing after six months of modest up and down movement. At the end of May the book value of business inventories was up $7 billion, or 9 per cent above a year ago, partly reflecting a higher price level. Inventory sales ratios have been quite stable in recent months, after rising in late 1955 and early 1956, and, except for automobiles, are still below the average for the period since 1951. Automobile inventories at dealers declined over 200,000 units over May and June.

8. The dollar volume of residential construction activity has been receding, and the latest figures show a further very modest decline. At the same time, housing starts hold at an annual rate of about 1.1 million units. Most recent reports on housing vacancies confirm that a

relatively low vacancy rate continues. Also, field reports from builders continue to indicate a conservative inventory of unsold houses. Advances in rents for May were the largest reported for any month since 1953; moreover, advances were reported for more cities than in any month since that time. Mortgage lending in the second quarter was down from high first quarter rate of last year but about at the fall rate of 1954.

9. Business construction activity featured mixed trends in June with commercial construction down and industrial construction up strongly. Total construction held close to the record May rate.

10. Nonfarm employment in June was at a new peak of 51.4 million persons, up 1.4 million from a year ago. Manufacturing employment has declined somewhat since the end of last year (with production workers down and salaried workers up), but there were more than compensating gains in employment in finance, service, construction, and State and local government.

11. Unemployment at mid-June stood at 2.9 million, up 300,000 from May, but the increase was largely seasonal. Unemployment claims were somewhat higher than last year in auto producing states, but generally lower in other areas. The number of long-term unemployed, those seeking work 15 weeks or longer, was at last fall levels.

12. Average hourly earnings in manufacturing have continued to rise this year, and in June at factories were 2-1/2 per cent above beginning of year earnings, and 6 per cent over a year ago. Average weekly earnings, while up from a year ago, have shown little gain this year because of a drop in average hours of work.

13. Average wholesale prices declined slightly from mid-May to mid-June, have risen slightly since then, and are 3-1/2 per cent higher than a year ago. The significant price development of the past two months is that there have been fewer advances and more mark downs of industrial prices than in earlier months of the year. Prices of basic commodities, except copper, which had been showing weakness, have strengthened over the past month. Farm prices early in June were up 10 per cent from December and about at year ago levels. Since early June, farm price changes have been about offsetting, with the average steady.

14. Consumer prices rose in May--the largest one-month rise in two years. Higher prices for foods, services such as rents, and used cars, contributed to the rise. A further rise in consumer prices is expected to be shown by the June index. Consumer prices at mid-June will probably average a little more than 1 per cent above a year ago; prices paid by farmers for

family living expenses have recently been reported to be 2 per cent higher.

15. The Dun and Bradstreet survey of business expectations taken before the steel strike showed widespread confidence in business prospects for coming months but with some widening divergence in views. Optimists increased in frequency, the first increase in a year, but so did the pessimists; thus, the no-change proportion declined. The most striking shift in sentiment related to inventory positions; the proportion expecting higher inventories declined and the proportion expecting lower inventories increased.

As for the steel strike itself, a few comments may be useful:

(1) A strike terminated shortly will not greatly affect prospects.

(2) If the strike lasts a month industrial production, because of primary and secondary output effects, will be reduced 5 to 6 index points. Towards the close of the month, shortage effects will begin to be marked in railroad equipment, heavy construction, and public works. An extension of the strike into August would lower industrial production a little further and have aggravated effects on the activities mentioned.

(3) Incomes of about 600,000 steel workers have been affected directly and of a good many thousand secondary workers indirectly. Some strikers are receiving vacation pay for the time being and nonstriking workers in the steel industry and workers in secondary industries affected are eligible for unemployment compensation. Thus, some cushion to the income contraction effects is operative. But the income effects will cumulate as the period of strike is extended.

(4) A strike extending into August could well cause GNP to decline a little for the third quarter.

(5) One of the important impacts of the strike will be its downward effect on the rate of business inventory investment. The longer the strike runs, the greater will be the downward effect on stocks and the subsequent upward effect or demand to replenish them.

(6) Steel price advances averaging about $9 a ton have been announced by mills continuing in operation. If this price rise is the one determined upon by the industry after strike settlement, it will have the effect of raising the average of all commodity prices at wholesale by .5 per cent. This will be the direct price effect. Other price raising

> effects will occur as steel users, where demand conditions permit, pass along higher steel prices in higher prices for fabricated steel items.

Mr. Thomas said that indications of strength in the economy both here and abroad were revealed by the analysis of business developments and that these indications of strength were supported by recent credit developments in the United States. There has been a large volume of new corporate securities issues, the total for the first seven months of this year approximating $6 billion against $4.8 billion last year and a smaller amount in 1954. Pressures in the corporate securities market have been indicated by a continuation of yields at relatively high levels during May and June. State and local issues of new securities also were larger during the first half of this year than last although less than in 1954. There has been a large accumulation of unsold securities issues in dealers' inventories. The stock market continues strong with rising prices approaching previous highs and with some increase in trading activity.

Treasury expenditures were somewhat larger and receipts slightly less than previous estimates but a cash surplus of over $5 billion still was shown for the fiscal year ending in June 1956. During the first half of July, both receipts and expenditures have been higher than estimates. New Treasury borrowing of $2 - $2-1/2 billion probably will be needed during August.

Loans at city banks declined in the three weeks ending July 11, after having risen sharply in the first three weeks of June and bank holdings of Government securities continued to decline. Total bank credit during the past six weeks, however, showed a net increase compared with a decrease last year; loans increased less than last year, but holdings of Government securities decreased much less than in the corresponding weeks of last year, reflecting bank purchases of securities during the tax period this year. The money supply increased in June more than seasonally, and during the first half of 1956 the annual rate of increase was about 1-1/4 per cent. In the first half of July deposits at city banks declined. Turnover of money has increased substantially in the past year, probably 5 or 6 per cent. Businesses evidently have used available funds more actively than in the earlier period and have drawn down on both their cash and their holdings of Government securities in addition to increasing their borrowings since the beginning of this year.

Bank reserves have fluctuated widely in recent weeks, reflecting to a considerable extent unusually erratic variations in float and in Treasury balances at the Federal Reserve Banks. Mr. Thomas referred to projections of bank reserves contained in a staff memorandum on The Outlook for Treasury Cash Requirements dated July 13, 1956, copies of which were distributed at this meeting. Net borrowed reserves have averaged well below $200 million in each of the past four weeks, he said, and are expected to be around $250 million this statement week and $200 million next week. In order to maintain net borrowed reserves around the $200 million level and to provide for a 3 per cent per annum growth in deposits, as well as to take care of seasonal changes in deposits and currency, Mr. Thomas said that the System probably would need to purchase $200 to $300 million of securities per month from July through November and about $600 million in December to take care of year-end needs. Should the Committee feel that a more restrictive credit policy was called for, purchases would, of course, be smaller.

Chairman Martin next called upon Mr. Treiber who commented on the economic situation and credit policy along the following lines:

> The steel strike, of course, darkens the horizon and poses many unknowns. Except for the strike, business activity appears to be expanding and the outlook appears strong. Consumer demand has strengthened; automobile inventories have been reduced; other retail inventories have attained a better balance; business capital outlays are very high; total employment has attained a record peak; and residential construction apparently is stabilizing at a high level.
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> Prices in general are firm, with retail prices advancing. We may expect an increase in steel prices. Whatever the wage settlement in the steel industry, it is likely to be emulated in other industries. There is likely to be a cost-price push with a gradual increase in the price of manufactured goods.
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> The demand for bank credit will probably continue high, although it is likely to be reduced temporarily as a result of inventory liquidation. The fourth quarter is expected to bring a renewed demand. There appears to be a heavy demand for new capital in the corporate and municipal markets. We should not relax credit restraint any further.
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> In the last three weeks, member banks' borrowing from the Federal Reserve Banks has averaged about 3/4 of a billion dollars while net borrowed reserves have averaged about $150 million. The money market has been easier than expected, easier than planned. A substantial amount of reserves was released to offset an expected contraction in float, but float did not contract as expected. Offsetting action resulted in large sales of Treasury bills by the System following shortly upon large purchases.
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> In May we were plagued with the opposite problem. Then the actual statistics had a way of turning out more severe

than the projections had indicated. This range of experience over two months emphasizes the fact that precision of figures is difficult or impossible and that caution is called for, both within and outside the System, in the interpretation of figures.

We are now in the midst of a Treasury refunding operation and we may expect the Treasury to undertake cash financing shortly. We should contribute to the maintenance of an even keel in the market. Subject to the usual caveats about "net borrowed reserves", we should move to the extent that may be practicable, in the light of the Treasury's financing operations, toward a higher range of net borrowed reserves than we have had in the last three weeks. A range of $200-$400 million would seem appropriate, resolving doubts toward the higher part of the range. 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. Irons said that he was in substantial agreement with the comments made by Messrs. Young and Treiber regarding the economic situation. Conditions in the Dallas area are very strong, he said, with retail trade holding at approximately record levels and industrial production at a very high rate. The steel strike thus far has had no apparent effect in the Dallas area, Mr. Irons said, although some of the smaller oil producers are reported to be finding increased difficulty in obtaining steel pipe. If the strike runs well into August, it could be expected to have increased effects. Employment is high and the labor market is relatively tight. The drought in the Dallas District has broadened and worsened during the past six weeks, particularly during the last three weeks. The automobile situation has improved noticeably with dealers' stocks of new cars having declined considerably, dealers in Dallas reporting supplies of new cars ranging from 12 days to 30 days, with virtually none over 30 days. Demand for bank loans has moderated, Mr. Irons said, there having been little tax borrowing during June and loans of reporting member banks having been relatively stable for several weeks. Banks point out that while loan demand is still strong it is not nearly as active as it was some three months ago. There has been less borrowing at the Dallas Reserve Bank, discounts having run around $20 million in recent weeks compared with a $40-$45 million level a short time back. Mr. Irons said that he thought the credit situation during the past few weeks may have gotten easier than the Committee intended and that he hoped the Committee would firm up the situation, with due regard for the Treasury's financing problems. It would be desirable to take advantage of any opportunity to firm up the money market and to avoid any indications of further ease. He would not favor a change in the discount rate or any other action of that sort which would move toward ease.

Mr. Mangels said that the Twelfth District picture continued to be one of expansion. Nonagricultural employment is up in all States of the district according to the latest figures. While there continues to be some softness in lumber and plywood manufacturing, the situation is improving. Demand for credit seems to be moderating somewhat, Mr. Mangels said, and one bank has reported that deposits have increased substantially recently in accounts ranging from $250,000 down. Some banks have reported considerable easing in the money situation and there is an indication of competition reappearing among banks in developing borrowing customers. A definite slowing of real estate development also has been reported, not because of a lack of mortgage funds but because of a lack of buyers for houses. The automobile situation is well in hand according to reports and the prospects are that dealers will have cleared out 1956 models before the 1957 cars start coming into the market. Mr. Mangels said that a report from one bank was in contrast to the foregoing, that bank having indicated that money is still tight and that it is having to screen loans carefully. This bank had also indicated that it might have to start borrowing from the Reserve Bank in order to meet its situation during the near term future. Only five banks have borrowed from the San Francisco Bank during July, Mr. Mangels said, and on July 13 only two banks were borrowing, for a total of $5 million. One of these has been a relatively persistent borrower for some time, and the other came into the Reserve Bank recently for a relatively small sum because of seasonal agricultural needs. This bank indicated favorable crop conditions in its area. Mr. Mangels stated that at a meeting last week directors of the San Francisco Bank voted to retain the existing 3 per cent discount rate but that the decision was not unanimous, some voting to reduce the rate to 2-3/4 per cent. He did not know what to anticipate in August, of course, but felt there was a definite possibility that the directors would vote to reduce the rate at that time on the grounds that member banks in the Twelfth District should not be penalized by a higher rate than applied generally throughout the country.

Mr. Powell said that the Minneapolis District continued to show a two-way trend with the larger cities reporting very active business and the western agricultural sections of the district showing less satisfactory conditions. Residential construction has not fallen below the total for last year during the first six months of 1956; employment is at a high level; bank debits are up substantially; and department store sales are high. Unemployment is very low. The western part of the Minneapolis District reflects the fact that the spring wheat crop is expected to be the smallest in many years. The eastern part of the district, however, is showing a more favorable outlook both for crop production and for dairy products. Bank deposits have declined. Demand for loans has been extraordinarily heavy and banks have disposed of practically all of their short-term investments in order to meet this loan demand. Any further loan expansion would probably find them increasing borrowings at the Reserve Bank. Mr. Powell noted that at the present time the city banks in the Minneapolis District are borrowing relatively heavily but that very few other banks in that district are using the Reserve Bank discount facilities. However, at a meeting of directors last week the view was expressed that the present 3 per cent discount rate of the Minneapolis Bank was working a hardship on borrowing banks in that district and on banks which would have to borrow in the near future to meet seasonal agricultural needs. Mr. Powell stated that while the existing 3 per cent rate was reaffirmed, it was by a divided vote and that he would not be surprised if the directors at their next meeting voted to reduce the rate to the level generally applicable at the Reserve Banks. Mr. Powell felt that there was no reason for having excessive ease in the money market now and that until the steel strike was ended it would be desirable to continue about the existing degree of pressure in the market. This would call for somewhere in the neighborhood of $200 million of negative free reserves. However, he felt it would be necessary for the Committee to watch the situation very closely since at this time it could not be determined whether action would be required to increase restraint or to ease conditions during the fall months.

Mr. Harris said that business activity in the Seventh Federal Reserve District was mixed, automobile and farm implement centers showing weakness, with activity in most other district cities moving along at a high brisk pace. With respect to the automobile industry, he stated that unemployment in Detroit and Flint remains high and that while some increase may be expected during the fall months it is felt that some workers with as much as five years' seniority may not be called back to work during the current year. There will be a tendency for automobile producers to extend the average work week rather than to add more personnel. A prolonged steel strike would have a substantial effect on the Midwest, Mr. Harris said, and an extended work stoppage might reduce employment below the levels now anticipated for the fourth quarter of this year. Commercial and industrial loans at Seventh District banks have declined over the past three weeks, following the sharp increase in borrowings for tax purposes during the two weeks ending June 20. The recent drop includes not only repayment of loans made to meet the June 15 tax payments but also a drop in credit needs in metals and metal product firms generally resulting from a reduction in inventories. In contrast to the outlook in the automobile industry, Mr. Harris felt that farm income should continue to increase in coming months. Farmers' cash receipts and net income in the corn belt part of the Chicago District are expected to be above 1955 levels during the next few months, as is income in the dairy area. There is no evidence thus far, however, that district farmers are increasing their purchases of either producers' or consumers' durable goods. Mr. Harris also commented on steel prices on the basis of quotations offered in connection with the building program for the Chicago Bank, stating in substance that the prices quoted were higher than those for other large buildings put up in Chicago in recent years, with an indication that an escalator clause would be inserted in any contract for steel in order to meet increased prices growing out of the current steel strike.

Mr. Harris stated that he would not like to see a change in the discount rate at the present time but would like to see operations of the Committee continue about as they have been in recent weeks, with no increase in pressure unless some development made it clear that that was necessary. His view would be that net borrowed reserves of around $200 million, rather than a higher figure, would be about right.

Mr. Leedy indicated that no significant changes had occurred in economic conditions in the Tenth District recently. Considering policy for the next three weeks, he felt that two considerations would largely determine the Committee's action: one, the uncertainties growing out of the steel strike, the other the cash financing that the Treasury apparently will soon offer, perhaps about the time of the next meeting of the Committee. Mr. Leedy said that considering these factors, he felt policy for the next few weeks should continue about the situation that the Committee has attempted to maintain during the last few weeks. He would not go as far as Mr. Treiber had indicated in permitting net borrowed reserves to have an upper range of as much as $400 million but he would not wish to see any indication of easing. He felt that net borrowed reserves had been lower during the past few weeks than would have been desirable. If it were not for the steel strike and the financing needs of the Treasury, Mr. Leedy suggested that the Committee might well be thinking of further tightening of the reserve position of banks. In fact, at the end of another three weeks the Committee might need to give consideration to adding somewhat to the pressure.

Mr. Leach said that the furniture industry in the Fifth District recently has reported some weakening in its prospects including some pressure for price declines. New orders in the textile industry also have continued small. Despite conditions in these two important Fifth District industries, Mr. Leach said that underlying factors were quite strong as indicated by an increase in employment and the prospects of a high level of trade. The steel strike has been reflected in a decline in loadings of coal, with the captive mines closing down. Mr. Leach said that he thought the Committee should continue to try to maintain a consistently tight rein on credit conditions, bearing in mind the needs of the Treasury. He would have in mind net borrowed reserves around the $250 million level, and he would not recommend any change in discount rate of the Richmond Bank at this time.

Mr. Vardaman said that on the basis of the comments thus far made this morning and of his own observations, he felt it would be most unfortunate to show any inclination toward tightness at the present time. He agreed that it might become necessary to tighten up six weeks hence, but there was also a possibility that the System might have to loosen credit in that period. He did not see how the Committee could justify letting net borrowed reserves go to the $400 million level mentioned as an upper range by Mr. Treiber, and he would hope that the Committee would continue its operations with a view to keeping net borrowed reserves from exceeding $200 million.

If there were to be any deviation from this figure he would prefer that it be below rather than above, since this was not the time for any tightening action. Mr. Vardaman said that he could see no harm resulting from a uniform discount rate at this time along the lines indicated by Messrs. Mangels and Powell, and it might be healthy to have such a development.

Mr. Mills said he proposed to reassess the tactical results of System operations since the last meeting of the Committee as to whether they in reality at any time produced a sense of ease or the actual degree of ease that had been referred to. The movement of negative free reserves during the intervening period since the last meeting has been down, he said, but despite that fact there are very clear indications that the greater availability of reserves, at least as reflected in negative free reserves, has not produced a degree of ease that has been disadvantageous to the objectives of the Committee's policy of restraint--a policy of restraint that within relative limits should be continued. We have seen the rate on Federal funds hold continuously at 2-3/4 per cent, Mr. Mills said, which would suggest that there is a degree of restraint and a degree of tightness in the money market that is not reflected in the over-all reserve supply situation. At the same time, during the last reserve week (and a repetition would be seen in the current reserve week) the level of discounts at the Reserve Banks averaged $800 million or above, which would also suggest that, at a time when reserves were more available, banks had simultaneously to resort more strongly to the discount window. This indicates an element of tightness in the money market that has not otherwise been revealed. It is very possible that the need for discounting has come from an uneven distribution of reserves on the one hand and, on the other hand, from a need for additional reserves by some banks experiencing seasonal demands for loans. In illustration, Mr. Mills pointed out that although reserve city banks for several days past had held a margin of excess reserves which presumably moved into the market as Federal funds, reserve conditions remained relatively tight due to a less ample supply of excess reserves at country banks and scant reserves at central reserve city banks.

The flow of new corporate and municipal securities at rising interest rates was cited as another indication of market tightness. The fact that such new securities had only been moved at higher interest rates and that they had not gone into commercial bank portfolios in any considerable volume was taken not only as a confirmation of the Committee's policy objectives but also as evidence that the market had not been oversupplied with reserves. It was Mr. Mills' opinion that the Committee may be putting too much emphasis on the factor of negative free reserves and too little emphasis on the factor of Federal Reserve Bank discounts, and he felt that the latter factor currently deserved closer attention than the Committee may be inclined to apply to it.

Concern has been expressed about the ultimate inflationary effects of the steel strike, Mr. Mills noted, and he stated his feeling that the Committee could not look too far ahead and attempt predictions. A certain effect of the strike and the curtailment of supplies would be to stretch out the capital expansion programs and this should take off some of the upward pressure on prices. Another result might be that businessmen, instead of coming out of the strike period with a sense of overoptimism, would recapitulate their thinking and adopt a more sober and cautious attitude toward the future.

Mr. Mills said that using negative free reserves as the common denominator of the Committee's policy objectives, a $200-million level would not seem to be out of line for the period immediately ahead. Judging from the past three weeks, it was difficult to see that there would be any harmful results if they fell below that level. There seemed to be no reason to change the discount rate at the present time and the Committee should move cautiously from day to day and avoid the inclination to take action in anticipation of situations that cannot be foreseen accurately too far in advance.

Mr. Shepardson noted that agricultural acreage under cultivation for the country as a whole is down a little from a year ago. Reports from different areas are extremely varied, with some showing good crop prospects but others showing severe drought conditions which have particularly affected cattle in some sections. While the number of fed cattle is likely to be going down, with reasonable improvement in finished cattle prices, the number of grass-fat cattle that will move to market is likely to increase considerably and this would mean lower prices. The sale of cotton that Mr. Rouse mentioned is already causing some concern as to its possible effect on foreign trade relations and domestic cotton prices. Mr. Shepardson noted that the level of consumer prices has shown some increase recently, and he also commented to the effect that one outcome of the steel strike that appeared to be almost a certainty would be an increase in wage rates and in prices. He felt that the Committee should be concerned with these developments and that it should be prepared to act in whatever way seemed to be called for. In other words, he would hold a tight rein on credit at the present time and maintain a "snug" position, neither increasing pressure nor letting it up, but making it clear that the Committee was prepared to move in whatever direction appeared to be necessary.

Subsequently, Mr. Shepardson referred to Mr. Powell's report that there was some comment among country banks in the Minnesota District that a 2-3/4 per cent discount rate would be more appropriate than a 3 per cent rate in meeting their seasonal needs during the crop moving period. Mr. Shepardson said that he had discussed with representatives of the United States Department of Agriculture the question whether farmers were objecting to the existing credit restraint program, and he had been informed that that Department had no complaints of undue credit tightness in agricultural areas at the present time.

Mr. Fulton noted that 40 per cent of the country's steel production is accounted for in the Cleveland District, and that this factor made the district very cognizant of the strike. Thus far, there had been little general effect. Retail sales have held steady and delinquencies on personal instalment loans have not increased thus far in strike areas. The strike is on a very friendly basis, Mr. Fulton said, but comments he had received indicated there would not be an early settlement. Substantial quantities of steel inventories are being worked off, although structural shapes for use in the construction industry are in short supply. This will cause postponement of construction operations into the winter months with increased costs and other adverse effects. He noted also that 28 ore boats are tied up in Lake Erie harbors and he stated reasons why there would be a scarcity of ore in the spring of next year.

Mr. Fulton felt that the Committee should be prepared to take cognizance of a surge of borrowing with the end of the steel strike. He would not like to see greater ease than what has already occurred, and he felt some concern about the degree of ease that had come into the market because of float during the past couple of weeks. Negative free reserves in the $200-$250 million range would seem appropriate until the Committee could see the extent to which the resurgence of business and borrowing would take place and how developments in the steel and automobile industries would affect business generally. Mr. Fulton said that he would maintain the present level of discount rates.

Mr. Williams reported a comment by Chairman Meinel of the Philadelphia Bank that the effects of the steel strike on the steel industry are likely to continue for some time after the strike is settled because of the unbalanced situation caused by the strike. He also reported the results of a current survey of industrial economists in the Philadelphia District, most of whom indicated that their companies anticipated a high level of demand for their products during the remainder of 1956. They also indicated in general that plant expansion plans were going ahead on schedule, although one of the economists thought that industry might wind up with some overcapacity, particularly on the part of firms that added to capacity without developing new products. Department store sales in the Philadelphia area continue strong, Mr. Williams said, and are up 9 per cent from last year during the latest four weeks and 5 per cent for the first half of this year. Inventories are not high relative to sales. Business is good in resort areas. The Philadelphia Reserve Bank continues to have something of a problem on discounts, particularly by city banks. Country banks seem to be in better shape as far as discount needs are concerned, having readjusted their positions some time ago. At the city banks, the problem would be how to handle the situation if the usual seasonal and year-end rise demand for credit takes place from the existing high level. The System's problem, Mr. Williams said, is one of staying with the strike situation and being prepared for constructive action at the time the strike ends. In his judgment, net borrowed reserves in a range between $200-$250 million would be appropriate.

Mr. Bryan said there had been no dramatic development in the Sixth District economy since the preceding meeting. Some of the banks that had been borrowing considerably at the Reserve Bank have ceased to borrow lately. The textile industry is definitely unhappy, and Mr. Bryan commented particularly on the competition that industry is experiencing from goods manufactured in Japan. The Mediterranean fruit fly has appeared in Florida this year and threatens to do considerable damage over a much wider area. Mr. Bryan said that he was confused by the economic situation. He was impressed by the steel strike and felt that whatever settlement took place the strike would have inflationary effects in the end, both from the direct cost standpoint and as a pattern for settlement of other wage demands. He was also impressed by the fact that the consumer price index has already moved upwards, in the wrong direction. This could result in great damage to the economy and destroy a good deal of confidence on the part of the consumer. Mr. Bryan said that he was more and more impressed with the magnitude of the capital formation problem the country is facing in the next decade. The net of his thinking was that while arguments could be made to the effect that economic activity may slow down, he was more inclined to think it would "bolt." As to credit policy, his position was that he would keep a tight rein on credit. He would not reduce the discount rate at the present time and, in conducting open market operations, he would be somewhat reluctant, supplying reserves on the lesser side rather than on the more generous side.

Mr. Johns said that no change in the discount rate of the St. Louis Bank was contemplated at the present time. He would be reluctant to appear to lean in the direction of greater pressure, however, and he did not know what had been accomplished in the last three weeks in the direction of achieving the stability for which Chairman Martin had argued at the preceding meeting. Mr. Johns said that it seemed to him that there had not been a very theatrical exhibition of stability, and while he was not criticizing anybody for what had been done he did not know what should be done about the situation from here on. He would not increase the pressure; he certainly would not appear to relax the pressure.

At the risk of seeming to harp on the question and recognizing that it was a matter over which neither the Reserve Banks nor the Federal Open Market Committee had legal jurisdiction, Mr. Johns said that he had felt at the preceding meeting of the Committee that there was some indication of interest in the possibility of adjusting reserve requirements downward this autumn. He now sensed that this possibility had been written off as something that could not be done and that it was believed that whatever adjustments were to be made would be carried out in the open market and at the discount window. Mr. Johns said that if reserve requirements are now too high and if the Committee anticipated the need to supply $1.8 billion of reserves during the remainder of this year, and in view of the prospect that the Treasury would be coming to the market for additional cash, it seemed to him that there should be some way of reducing reserve requirements and doing it in a manner that would meet the situation. He could find very little evidence of any desire to take this course and he expressed regret.

Mr. Balderston said that between now and the Committee's next meeting, the same target that was adopted three weeks ago would seem to be appropriate--that is, net borrowed reserves of around a quarter of a billion dollars. The length of the steel strike would doubtless affect the height of the business rebound after the strike is terminated. This fact, together with the inflationary impact of the wage and price increases that will be triggered by the strike settlement, will probably create inflationary tendencies that will need to be dealt with vigorously. For the moment, however, a continuation of the present open market policy and of existing discount rates would seem to be indicated. The System's present posture with the dual discount rate will permit it to move either toward greater firmness or, if need be, toward greater ease without confusing the public.

Mr. Balderston said that he shared the concern expressed by Messrs. Shepardson, Fulton, Williams, and Bryan that this fall may bring problems that will call for quick and effective action. Open market operations can be used flexibly, as has been evident during the past month, even though the kind of stability that the Committee anticipated had not resulted. The desk was able in that period to meet an unexpected turn of events with fair success and without confusing the general public, Mr. Balderston said. However, if the System were to back and fill on discount rates just in advance of a period that may call for use of a rate increase the results might be unfortunate. For that reason, Mr. Balderston said that he thought the Committee should continue its present policy for the next three weeks and be ready for any eventuality.

Chairman Martin said that there seemed to be an undertone in the comments this morning that might eventually develop into a conflict of views but that he gathered that, as of the present moment, the existing directive of the Committee continued to be appropriate to present conditions and that a level of around a quarter of a billion dollars of net borrowed reserves would be as appropriate a figure as could be arrived at to indicate the operations during the next three weeks. The Chairman then referred to the System actions taken increasing discount rates at the Federal Reserve Banks effective April 13, 1956, and to the credit policy followed since that time. On the whole, he felt that the policy had worked reasonably well and that subsequent events had more or less vindicated the position taken in mid-April. Recent events, apart from the steel strike, have been in the direction of strength in the economy, Chairman Martin said, adding that after the April action the posture of the System was one of defense. At this time, he felt that it would be desirable for the Committee to put itself in the position of being able to "turn the wheel" a little one way or the other but of keeping a tight hold on the wheel. During the past year the price level had appeared to remain fairly stable but that was because farm product prices had been down while other prices had been rising. Chairman Martin said he was not in favor of relaxing or of tightening the supply of bank reserves at this time but that within the framework of the present directive the Committee should keep itself in a position to go in either direction in its operations without feeling a jerk.

Chairman Martin said that the Committee should not minimize the importance of the steel strike. His feeling was that a strike such as this was always a disaster and that it was most unfortunate that there were those individuals who were minimizing its importance or saying that it was a good thing. He agreed with the comment of Chairman Meinel of the Philadelphia Bank, reported by Mr. Williams, that the effects of the strike would be felt for some time after a settlement, adding the statement that this would create more difficulties for the Federal Reserve System. Money and credit policy is only one item and a minor item in dealing with cost-price effects of the strike, the Chairman said, and it would be very difficult to conduct operations in this period against the judgments that would take place. The Committee would have to be very careful about the general public's reaction to the credit policy followed during that period.

Chairman Martin then referred to Mr. Johns' comment on reserve requirements. He was sympathetic to a reduction in reserve requirements, he said, but a move of that sort must be considered against the possible effects of the cost-price mechanism that may be expected during the next few months. He would not recommend action on reserve requirements at the present time. One of the factors to be considered was the lack of familiarity on the part of the public with the use of that instrument as contrasted with its familiarity with the use of open market operations.

With respect to the discount rate, Chairman Martin said that he sympathized with the problems confronting Messrs. Mangels and Powell and their directors. The System should take encouragement from the conscientious and careful consideration and efforts that were being shown on the part of the Reserve Banks and their boards of directors regarding this and other credit matters. It was not possible for anyone in a period like this to be sure what position was right. However, Chairman Martin said that he felt personally, as he had indicated at the preceding meeting, that during a period of Treasury financing it would be most unfortunate to have any change in the discount rates. This was a problem before the two Banks now having the higher rates. One approach was to suggest that they should "not sell out at the bottom of the market." It was a problem how to convey this idea to the boards of directors and to bring about an understanding of the possibility that the System might wish to move up to a 3 per cent rate across the board before long. Chairman Martin emphasized that he did not know whether this action would be called for, but it was one possibility that should be out in front of the entire System. The System moved slowly, he said, and it had a balancing problem. He felt that the different parts of the System had been coordinating their activities reasonably well and that the discussions at the open market meetings had been serving very well as a clearing house for the System. He hoped this could be continued. While he was not attempting to prejudge the situation that might develop, he thought the System should not be beguiled into believing that the cost-price rise was something that could be ignored. It is something that anyone in business must face and the System must face it before the rise has actually taken place.

Chairman Martin then referred to Mr. Treiber's remarks and to his suggestion that, subject to the usual caveats about net borrowed reserves, the System should move to the extent that might be practicable in the light of the Treasury's financing operations toward a higher range of net borrowed reserves than had existed in the last three weeks, and to Mr. Treiber's specific suggestion that a range of $200-$400 million net borrowed reserves would seem appropriate. While he had sympathy with the thinking back of this suggestion, Chairman Martin said that during the period of the Treasury's financing his view was that a figure of net borrowed reserves around the $250 million level would be appropriate, recognizing that the management of the account would have difficulty in trying to move within any narrow range. The Chairman commented that he did not like to see a range in free reserves from negative $391 million to positive $14 million if that could be avoided, although he was not making this comment as a criticism of the handling of operations during the past three weeks. In summing up, Chairman Martin said that he interpreted the desire of the Committee at this time to be that it should neither tighten nor relax, but that it should keep its present position of having as tight a rein as could be held within the limits of the Committee's existing directive.

There was no indication of disagreement with this suggestion, and Chairman Martin then called upon Mr. Rouse for his comments as to whether negative free reserves in the approximate range of $250-$200 million presented any problems for operations of the account.

Mr. Rouse said that he would like to revert to Chairman Martin's comment toward the end of the meeting held three weeks ago on the use of net borrowed reserve figures. What we really are after, Mr. Rouse said, is a degree of feeling in the market rather than any particular figure. We have had and are having at the moment the tightest situation in New York that has existed in a long time. New York banks are in debt to the extent of around $500 million, about $250 million to the Reserve Bank and about $250 million to other banks. That situation has gotten worse through this recent period of ease and the banks are now in the process of getting themselves out of debt. The same situation is true in the other central reserve city. If the banks get out of debt, the figures of net borrowed reserves could well remain the same as they have been, but the degree of pressure might really be much less even with the same net borrowed reserve figure. This was one of the things that Mr. Rouse thought Mr. Treiber had in mind in suggesting a possible range of $200-$400 million for net borrowed reserves. Mr. Rouse said that he also thought this was one of the things that Chairman Martin had in mind when he commented at the last meeting to the effect that he would not be concerned if the figure of net borrowed reserves ran up toward $400 million.

Mr. Rouse said that he also wished to call attention to the matter of float and the difficulty it was causing in using projections of net borrowed reserves. He did not know whether anything could be done about this by the Reserve Banks either as a group or singly, but he hoped that the System would give more consideration to the problem since the wide and irregular variations in float were adding to the difficulties of the situation.

Mr. Mills said that it seems that the Committee's decisions are built so largely around market considerations that it is in danger of losing sight of its responsibilities for making credit adequately available. He noted that Mr. Rouse had called attention to the efforts of central reserve city banks to liquidate their discounts at the Federal Reserve Banks. The published statements of these banks, Mr. Mills said, indicate that a further reduction in their investments in U. S. Government securities will be necessary if they are to reduce or liquidate their discounts at the Federal Reserve Banks and at the same time hold their loan and investment positions. Such action would have to be taken at the same time that these banks and, in fact, banks in the reserve city and country bank areas will begin to experience an increasing demand for seasonal loans. With such a central reserve city bank picture, it is doubtful whether the liquidation of U. S. Government securities to retire Federal Reserve Bank discounts could bring more than a fleeting sense of ease, which would itself disappear as soon as the mounting demand for loans must be met. An absolute return to tight market conditions would then occur. In short, Mr. Mills felt that without new reserves the only practical means by which these banks could meet their seasonal loan demands would be by liquidating U. S. Government securities or discounting at the Federal Reserve Banks.

Chairman Martin said that Mr. Rouse had pointed up very clearly the discussions the Committee had had several times about placing undue reliance on the figures of net borrowed reserves. When we talk about a range of $200-$250 million of net borrowed reserves, the Chairman said, we really are talking about that as an indication of a "quality" of tightness and not as an actual figure. It is in that framework that these figures are discussed. The Committee had to have some kind of a guide in trying to judge or indicate the operations that would carry out its policy, Chairman Martin said, and as he had indicated several times, he sometimes wished that the Committee had another way of gauging operations than by use of free reserves.

Chairman Martin went on to say that the comment Mr. Rouse had made about float was pertinent and that it would be desirable for all of us to consider how to deal with the problem.

The Chairman then referred to the comment by Mr. Mills, stating that none of us wished to fail to exercise our responsibilities for supplying credit to the market where and when it is needed. However, we must not lose sight of the cost-price factor and of what credit can do to that factor. The Committee must continue to balance on the razor's edge. He inquired of Mr. Rouse whether he had other comments regarding the directive to be issued by the Committee, within the framework of the discussion that had taken place at this meeting, and Mr. Rouse responded in the negative.

Chairman Martin then suggested that the Committee approve a renewal of the existing directive to the Federal Reserve Bank of New

York, with the understanding that the general framework of the discussion at this meeting would be taken as a guide for the Manager of the System Open Market Account in carrying on operations between now and the next meeting.

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 Operation Alert 1956 scheduled for the period July 20-26 and to the proposal approved at the meeting of the Federal Open Market Committee on January 10, 1956 for a program to train and maintain a group of men as widely dispersed as possible familiar with open market operations who could carry on in an emergency. This program, to be inaugurated at the Federal Reserve Bank of New York in October of this year, would contemplate training at two levels:

> (1) Technical personnel, to be trained in the detailed mechanical operations of the System Open Market Account. It is planned that personnel of this type will be assigned on a rotating basis for training at the Federal Reserve Bank of New York for a period of approximately two weeks.
>
> (2) Personnel who might conceivably be called upon to make decisions carrying out policy, that is, understudies for the role of Manager of the System Open Market Account or of his immediate top assistants. Such personnel will also be assigned to New York on a rotating basis for a period of approximately three weeks.

Under this program, it is planned that not more than two trainees in both categories will be assigned to New York at any one time.

Chairman Martin went on to say that he felt the forthcoming alert offered an appropriate occasion for scanning personnel to be assigned in this trainee program and he suggested that the Reserve

Bank Presidents consider in the near future members of their staff who might be so assigned. Chairman Martin also asked that the Presidents send to the Secretary of the Committee at the end of the forthcoming exercise the names of one or two nominees for each of the categories of personnel to be trained as indicated above, in order that an appropriate schedule of time of assignments for training at the New York Bank could be worked out.

Chairman Martin next reported on a meeting held in the Board's offices on Friday, July 13, 1956, of a steering committee of commercial bankers working on emergency defense planning measures for the banking system as a whole. This committee, of which Mr. John J. McCloy, Chairman of the Board of Directors of The Chase Manhattan Bank, serves as chairman, was concerned primarily at this meeting with a program for commercial banks and preparation of a defense manual that might be made available to the banks. The program had been developed in cooperation with the Treasury Department, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the American Bankers Association, and Messrs. Florence and Cocke, President and Vice President, respectively, of the American Bankers Association, attended the meeting as representatives of that association. Chairman Martin stated that, on behalf of the Presidents' Conference, Mr. Williams presented to the meeting an outline of the work being done in the individual Federal Reserve Banks in connection with defense planning. He also stated that Mr. J. W. Allison was serving as Special Consultant to the Board of Governors in connection with defense planning matters.

At Chairman Martin's request, Mr. Treiber reported on the visit to the Federal Reserve Bank of New York on July 5 and 6, 1956 of members of the staff of the Committee on Government Operations of the House of Representatives, discussed at the meeting on June 26, 1956. He stated that Mr. William Pincus, Associate General Counsel, and Mr. Orville J. Montgomery, Counsel, of the Committee arrived at the New York Bank on Thursday morning, July 5, and after a review of the scope of the work performed by the Bank as fiscal agent of the Treasury, they visited the trading room and spent most of their time during the two days in the Securities Department of the Bank. They also spent some time in the Government Bond Department, the Safekeeping Department, and the Securities Custody Department, and they made a tour of the Bank.

Mr. Treiber said that Messrs. Pincus and Montgomery were interested in a wide field of activities but centered their attention on the advisory services and operating functions performed by the New York Bank and by the Government securities dealers in connection with the issuance of Treasury securities. They were especially interested in the role and significance of the dealers in the Government securities market, how that market operated, and how the Reserve Bank's trading is conducted, particularly for Treasury accounts, and the relationships of the New York Bank with the Treasury. Mr. Treiber said that they also were interested in the proportion of dealer volume and positions to the total activity normally carried on in the Government securities market; when told that these data are considered important trade secrets, they did not push to see what data are available at the New York Bank. However, they inquired as to the practicability of dealers being required by legislation to submit data on a confidential basis. They also expressed a desire to revisit the New York Bank at a time when it was involved in the physical handling of a new Treasury issue.

Mr. Treiber said that Messrs. Pincus and Montgomery referred to the pending House Bill No. H.R. 2643 proposing that the General Accounting Office audit the Federal Reserve System, and they indicated that Chairman Dawson might conduct hearings on the bill some time. While they thought little significance would attach to an actual audit of the Federal Reserve System by the General Accounting Office, some Congressmen might at first show curiosity regarding it. Upon leaving, Messrs. Pincus and Montgomery indicated that they had been impressed with the complexity and magnitude of operations connected with the trading desk and with the physical handling of new Treasury issues. They were quite complimentary concerning their observations among the officers and employees carrying out this work at the New York Bank and stated that they no longer had any doubt that the Federal Reserve Banks were in fact public institutions clearly operating in the public interest, and that stock ownership by the member banks was incidental. Mr. Treiber said that the Bank officials found the visit pleasant and felt that it had been helpful to Messrs. Pincus and Montgomery.

Chairman Martin commented that it appeared that the visit had been constructively handled.

Chairman Martin stated that Professor Ira A. Scott of the University of Minnesota, who had been referred to him by Mr. Powell, had received a Merrill Foundation grant for study of the Government securities market, and that he had discussed visiting both the Board's offices and the Federal Reserve Bank of New York for the purpose of obtaining information to assist in his study. Professor Scott is currently visiting the Board's offices. Chairman Martin said that he felt the System should not make the operation of the Government securities market or the procedures followed by the System Open Market Account mysterious but, at the same time, it should not make any confidential documents available to Professor Scott any more than they would be furnished to other persons not members of the Committee or otherwise associated with the Committee. He felt that members of the Committee or the staff should be authorized to talk with Professor Scott informally and to give him information regarding the operation of the Government securities market short of giving him confidential documents, and of course with the understanding that information as to current policies would not be discussed. Chairman Martin stated that it was his understanding Professor Scott was interested in procedures rather than in policy and in the effect that procedures might have in the long run on policy.

Messrs. Powell and Roelse commented briefly on their understanding of the purpose of Professor Scott's visits, and none of the members of the Committee indicated disagreement with Chairman Martin's suggestions for giving him assistance.

Chairman Martin next referred to the letter from Mr. Roelse dated June 22, 1956 and to the outline prepared by the Staff Committee for the study of experience under present operating procedures in the Government securities market.

Mr. Roelse commented on the outline, stating that the proposal was to go as far as possible on the basis of presently available information and to see what gaps existed. If it should prove necessary to go beyond available data in studying the questions in the outline, the staff committee would report back to the Federal Open Market Committee for explicit approval to collect whatever additional data might be required. Mr. Roelse suggested that it might be possible to obtain additional information in connection with a questionnaire to be sent out by the New York Clearing House Association's committee that is studying the financing of the Government securities market.

Mr. Leedy suggested that the outline might include an additional topic relating to shifts in the ownership of short-term Treasury securities from commercial banks to non-bank investors, and Chairman

Martin suggested that this topic be transmitted to Mr. Roelse. Chairman Martin also suggested that the outline be considered as an appropriate start for the Committee study and that it be approved for this purpose.

There was agreement with this suggestion.

It was agreed that the next meeting of the Committee would be held on Tuesday, August 7, 1956.

Thereupon the meeting adjourned.

Winfield W Riefler
Secretary