

CONFIDENTIAL

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

June 6, 1968

MEMORANDUM FOR THE PRESIDENT

Subject: Possible Fed Action on Margin Requirements

1. At our regular lunch with the Federal Reserve today, Bill Martin told us that the Board may act tomorrow afternoon to raise margin requirements for stocks from 70% to 80%.
2. The Fed is concerned by the growing speculative activity in the stock market in the last two months. This has been accompanied by increased use of credit to finance stock purchases.
3. The proposed rise in margin requirements would have a modest direct effect in curbing credit demand for carrying stocks. More important, it would indicate the Fed's concern that Wall Street is getting too boomy. But the action is no bombshell; the effects are likely to be small.
4. The Fed's argument makes sense to us. We would not object to their proposed action.
5. It is terribly important that this should not leak in advance.

Arthur M. Okun