

Similarly, greater short-term investment in this country by U.S. residents and corporations who would otherwise place their funds abroad would directly reduce the U.S. payments deficit.

The growth in time deposits in U.S. banks in recent years has reflected increases in rates paid on such deposits, following increases in the maximum rates under regulations of the Federal Reserve Board of Governors and the Federal Deposit Insurance Corporation. Foreign official time deposits have likewise risen substantially since their exemption from regulation in October 1962.

The objective of increasing commercial banks' ability to compete for foreign time deposits could be enhanced either (1) by legislation completely abolishing the power of the Board of Governors of the Federal Reserve System to regulate maximum interest rates on time deposits, or (2) by placing that authority on a standby basis, as the present administration has proposed. Members of the Task Force are divided in their opinion as to which of these alternatives should be used to achieve this objective; hence no recommendation as between these alternatives is made.