

Minutes for March 12, 1958

To: Members of the Board

From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, if you were present at the meeting, please initial in column A below to indicate that you approve the minutes. If you were not present, please initial in column B below to indicate that you have seen the minutes.

	A	B
Chm. Martin	<input checked="" type="checkbox"/> <u>M</u>	_____
Gov. Szymczak	<input checked="" type="checkbox"/> <u>M</u>	_____
Gov. Vardaman	<input checked="" type="checkbox"/> <u>(O)</u>	_____
Gov. Mills	<input checked="" type="checkbox"/> _____	_____
Gov. Robertson	_____	<input checked="" type="checkbox"/> <u>R</u>
Gov. Balderston	<input checked="" type="checkbox"/> <u>CCB</u>	_____
Gov. Shepardson	_____	<input checked="" type="checkbox"/> <u>Shep</u>

Minutes of the Board of Governors of the Federal Reserve System
on Wednesday, March 12, 1958. The Board met in the Board Room at 10:00
a.m.

PRESENT: Mr. Martin, Chairman
Mr. Balderston, Vice Chairman
Mr. Szymczak
Mr. Vardaman
Mr. Mills

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Riefler, Assistant to the Chairman
Mr. Thomas, Economic Adviser to the Board
Mr. Hackley, General Counsel
Mr. Masters, Director, Division of Examinations
Mr. Molony, Special Assistant to the Board
Mr. Shay, Legislative Counsel
Mr. Daniels, Assistant Director, Division of
Bank Operations
Mr. Noyes, Adviser, Division of Research and
Statistics
Mr. Solomon, Assistant General Counsel
Mr. Thompson, Supervisory Review Examiner,
Division of Examinations

Application of New Hampshire Bankshares, Inc. (Item No. 1). With
a memorandum from Mr. Hackley dated March 10, 1958, the Legal Division had
submitted drafts of a statement and order to implement the Board's tentative
decision on March 6, 1958, to approve the application of New Hampshire
Bankshares, Inc., Nashua, New Hampshire, for prior approval of the
acquisition of up to 60 per cent of the 5,000 outstanding shares of capital
stock of The New Hampshire National Bank of Portsmouth, Portsmouth, New
Hampshire.

Following comments by Mr. Hackley on the form of the proposed
statement and order, there was some discussion of the question whether to
retain in the statement reference to the fact that the Board had received

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letters from a number of banks in New Hampshire objecting to the proposed acquisition. Those who were inclined to favor the retention of such language suggested that it would give recognition to receipt of the protests and would indicate that notwithstanding their receipt the Board had determined in the light of the factors required to be considered by the statute that the application should be approved. The factual situation, it was noted, had not been called into question by the protests, which made it seem unlikely that additional information helpful in reaching a decision would be disclosed through a public hearing on the matter. Those inclined to favor elimination of reference to the protests stated that some objections would be likely in almost every case coming before the Board, that the Board might be presumed to give due consideration to all of the information in its possession, and that little would be accomplished by the mere statement that certain protests had been received. After several possibilities had been suggested, Mr. Hackley indicated that he was inclined to agree with a point made in the discussion that reference to the protests might only serve to raise questions as to why a hearing had not been held, it being possible that the applicant might ask, for example, why an opportunity was not afforded to answer the objections. He also pointed out that previous statements issued by the Board on cases under the Bank Holding Company Act had contained no mention of any objections that had been filed.

Accordingly, it was decided to eliminate reference to the letters which had been received objecting to the proposed acquisition.

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Question then was raised whether the statement of votes in the proposed order should make a distinction between the situation of Governor Robertson, who had not participated in consideration of the case, and Governor Shepardson, who had expressed himself as tentatively favoring approval of the application at the meeting on March 6 but who was not present today. After discussion of this point, it was the consensus that it would be advisable to continue to adhere to the practice of showing in the Board's order only the votes actually cast by members of the Board present at the meeting when the order was adopted, at least until such time as the Board might decide otherwise following further consideration of procedure in cases arising under the Bank Holding Company Act.

Thereupon, approval was given to a statement and order in the form attached under Item No. 1, Messrs. Martin, Szymczak, Vardaman, and Mills voting "aye" and Mr. Balderston disqualifying himself from participation in the decision for the reason he had stated at the meeting on March 6, 1958. This action contemplated that copies of the statement and order would be sent to the applicant and other appropriate parties, that a press statement making available the statement and order would be released later today, and that the order would be published in the Federal Register.

Mr. Thompson then withdrew from the meeting and Messrs. Miller, Chief, Government Finance Section, Division of Research and Statistics, and Bangs, Chief, Far Eastern Section, Division of International Finance, entered the room along with Mrs. Teeters, Economist, Division of Research and Statistics.

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Tax reduction as an anti-recession measure. Discussion of this subject, which began at yesterday's meeting, continued on the basis of the information contained in a memorandum prepared under Mr. Miller's supervision which had been distributed to the members of the Board with a covering memorandum from Mr. Young dated March 7, 1958.

Mr. Miller first reviewed problems involved in the use of fiscal policy in combating recessionary trends in the economy, following which Mr. Bangs commented on alternative forms of tax reduction as described in the distributed memorandum and Mrs. Teeters presented estimates regarding the comparative effect of several forms of personal income tax reduction on Federal tax receipts and personal spending. It was understood that the estimates prepared by Mrs. Teeters would be included in additional data on the subject of tax reduction to be submitted to the Board by the research staff.

At the Board's request, other members of the staff then presented informal opinions on matters such as the efficiency of the present tax structure, longer-run problems of tax policy, the relative effectiveness of reductions in personal, corporate, and excise taxes, and the comparative results of tax reduction and public works expenditures in stimulating economic activity.

In response to questions by Governor Vardaman, Chairman Martin said that his thought in requesting staff material and discussion of this subject had been merely to aid the Board's thinking and to prepare against the possibility that the Board's views would be requested at some point.

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Aside from inquiries made of him on a personal basis, there had as yet been no such request but he envisaged that circumstances might arise in which the Board would be required to take a position on the general subject. On a specific bill, however, it might be that the Board would decide against taking a position. In any event, it seemed desirable that each member of the Board give continued thought to the subject, if for no other reason than that the problem was being so actively discussed at the present time.

During the foregoing discussion Mr. Thomas withdrew from the meeting and Mr. Brill, Chief, Capital Markets Section, Division of Research and Statistics, entered the room. At the conclusion of the discussion Mrs. Teeters and Messrs. Molony, Miller, and Bangs withdrew.

Small business financing facilities. Since yesterday's meeting the research staff had submitted to the Board, under date of March 11, a revised memorandum outlining a possible approach to the problem of special long-term financing facilities for small business.

Mr. Brill summarized the principal changes which had been made, following which there was a general discussion of the approach suggested in the memorandum.

In reply to questions by Governor Vardaman, Chairman Martin explained that the purpose of the work done by the staff was to formulate a tentative approach to small business legislation on which the Board's reaction might be obtained, with the objective of enabling the Board to take a positive position when called upon to testify in connection with pending small business legislation. It was not the intention to submit any plan such as suggested

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in the staff memorandum as a legislative recommendation from the Board, but the approach was consistent in principle with current Treasury thinking and with the major findings of the Board's small business financing project. Therefore, the question was whether, if something along these lines should be advanced in the course of hearings on small business legislation, the Board would feel that it was worthy of support. Inability of the Board to reach anything but a negative position on all proposals under Congressional consideration might mean the enactment of unsatisfactory legislation.

In this connection, Mr. Young commented that the staff memorandum represented an approach developed through abstracting portions of proposed legislation which it was thought might form the basis of a system of small business financing facilities that would be most acceptable to the Board.

Chairman Martin concluded the discussion by repeating that the purpose of preparing the staff memorandum and considering the approach outlined therein was not to tie the Board to anything but rather to produce the type of constructive thinking that would put the Board in the best possible position when it was called upon to testify. To state it another way, this might be described as planning a defense on a positive basis. He added that personally he would not like to see a small business financing program placed within the Federal Reserve System, and Governor Vardaman agreed. The Chairman then suggested that the members of the Board give continued consideration to the subject.

At this point Mr. Broida, Economist, Division of Research and Statistics, entered the room.

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Survey of Consumer Finances. Mr. Broida summarized the preliminary results of the 1958 Survey of Consumer Finances scheduled for release on Friday, March 14.

The meeting then adjourned.

Secretary's Notes: During the day advice was received from the Federal Reserve Bank of San Francisco that the directors of that Bank had established, subject to approval by the Board of Governors, rates of 2-1/4 per cent (rather than 3 per cent) on discounts and advances under sections 13 and 13a of the Federal Reserve Act, 2-3/4 per cent on section 10(b) advances, 3-3/4 per cent on advances under the last paragraph of section 13, and other rates in the Bank's existing schedule without change. Pursuant to the action taken by the Board on March 6, 1958, the Secretary advised the San Francisco Bank of approval of these rates, effective March 13, 1958, all Federal Reserve Banks and branches were informed of the action by telegram, a press statement was issued in the usual form, and arrangements were made for publication of a notice in the Federal Register.

Governor Balderston, acting in the absence of Governor Shepardson, today approved on behalf of the Board a letter to the Federal Reserve Bank of New York (attached Item No. 2) approving the reappointment of Martin F. Byrne as examiner and the designation of Eugene M. McGee as special examiner.

Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Balderston also approved today on behalf of the Board the following items affecting the Board's staff:

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Salary increases

Kathryn A. Jackson, Statistical Clerk, Division of Bank Operations,
from \$3,415 to \$3,670 per annum, effective March 23, 1958.

Edwin J. Swindler, Economist in the Division of Research and Statistics,
from \$6,250 to \$6,390 per annum, effective March 23, 1958.

Acceptance of resignation

Jennie Lee Glass, Statistical Assistant, Division of Research and
Statistics, effective March 7, 1958.



A. Harpenter
Secretary

UNITED STATES OF AMERICA

Item No. 1
3/12/58

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

In the Matter of

the Application of
NEW HAMPSHIRE BANKSHARES, INC.,
NASHUA, NEW HAMPSHIRE
for Approval of Acquisition
of Voting Shares of
THE NEW HAMPSHIRE NATIONAL BANK OF PORTSMOUTH,
PORTSMOUTH, NEW HAMPSHIRE

STATEMENT

New Hampshire Bankshares, Inc. (hereinafter referred to as Bankshares), a bank holding company, has requested the prior approval of the Board, pursuant to section 3(a)(2) of the Bank Holding Company Act (hereinafter referred to as the Act) for the acquisition of a majority of the voting shares of The New Hampshire National Bank of Portsmouth, Portsmouth, New Hampshire.

As required by section 3(b) of the Act, the Board gave notice of the application to the Comptroller of the Currency and requested his views and recommendations; and the Comptroller responded by recommending approval of the transaction.

Under section 3(c) of the Act, the Board must take into consideration the following five factors:

- (1) the financial history and condition of the bank holding company and the banks concerned;
- (2) their prospects;

(3) the character of their management;

(4) the convenience, needs, and welfare of the communities and the area concerned; and

(5) whether or not the effect of the proposed acquisition would be to expand the size or extent of the bank holding company system involved beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking.

All relevant facts in the present case must, therefore, be considered in the light of these statutory factors.

With respect to the first three of these factors, it appears that the financial history and condition, prospects, and character of the management of both Bankshares and The New Hampshire National Bank are satisfactory.

The principal facts having a bearing upon the fourth and fifth statutory factors may be briefly summarized as follows:

Bankshares now controls five banks having total deposits of about \$33,000,000. All the banks are located in the southeastern part of New Hampshire, three in Rockingham County and two in the adjoining county of Hillsboro. The proposed acquisition of The New Hampshire National Bank would cause Bankshares to control a fourth bank in Rockingham County.

Portsmouth, with a population of about 23,000, is the largest city in Rockingham County. It is served by three commercial banks, including The New Hampshire National Bank, and by two mutual savings banks. In the Portsmouth trading area, estimated to comprise an area within about a five-mile radius of the city and with a population of about 46,000 including the city, there are also two offices of one additional commercial bank. The New Hampshire National Bank, with deposits of about \$5,000,000, is the smallest bank in Portsmouth and the trading area, and its proposed affiliation with Bankshares may enable it to serve its customers somewhat better and offer expanded facilities to the community.

Bankshares now has no banking subsidiary in the Portsmouth trading area. Its nearest banks are about 13 and 18 miles distant from Portsmouth and do not compete appreciably in that area. The first of these, The New Market National Bank, Newmarket, New Hampshire, has deposits of about \$2,000,000; the second, the Rockingham National Bank, Exeter, New Hampshire, has deposits of about \$5,500,000, less than half the deposits of the other bank in Exeter, which is not a holding company bank.

The proposed acquisition would cause Bankshares to control one of the three commercial banking offices in Portsmouth and about 22.5 per cent of their total deposits, and one of the five commercial banking offices in the trading area and about 17 per cent of their total deposits. However, each of the two mutual savings banks in the

city has deposits greater than any commercial bank in the trading area and savings banks compete actively with commercial banks for savings deposits, for real-estate loans, and, to some extent, for other loans. The proposed transaction would cause Bankshares to control one of the five commercial and savings banking offices in Portsmouth and about 10 per cent of their total deposits, and one of the seven such offices in the Portsmouth trading area and about 9 per cent of their total deposits.

In the circumstances of this case viewed in the light of the statutory factors, it is the Board's judgment that the proposed acquisition of stock of The New Hampshire National Bank by Bankshares would not be inconsistent with the underlying purposes of the Act. Accordingly, the Board concludes that the application should be granted, and it so orders.

UNITED STATES OF AMERICA

Item No. 1

3/12/58

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

In the Matter of
 the Application of
 NEW HAMPSHIRE BANKSHARES, INC.
 NASHUA, NEW HAMPSHIRE
 for Approval of Acquisition
 of Voting Shares of
 THE NEW HAMPSHIRE NATIONAL BANK OF PORTSMOUTH,
 PORTSMOUTH, NEW HAMPSHIRE

ORDER

The above matter having come before the Board on the application of New Hampshire Bankshares, Inc., Nashua, New Hampshire, dated November 14, 1957, filed pursuant to the provisions of section 3(a)(2) of the Bank Holding Company Act of 1956, for prior approval of the acquisition of up to 60 per cent of the voting shares of The New Hampshire National Bank of Portsmouth, Portsmouth, New Hampshire, and it appearing after due consideration thereof pursuant to the requirements of the Bank Holding Company Act of 1956 that such application should be approved,

IT IS ORDERED that the said application be and hereby is granted and the acquisition by New Hampshire Bankshares, Inc., of up to 60 per cent of the voting shares of The New Hampshire National Bank of Portsmouth is hereby approved, provided that such acquisition is completed within three months from the date hereof.

This 12th day of March 1958.

By order of the Board of Governors.

Voting for this action: Chairman Martin and Governors Szymczak, Vardaman, and Mills; absent and not voting: Governors Robertson and Shepardson. Vice Chairman Balderston disqualified himself and did not participate in the consideration or decision of this matter.

(SEAL)

(Signed) S. R. Carpenter

 S. R. Carpenter,
 Secretary.

Washington, D. C.
 March 12, 1958.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Item No. 2
3/12/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 12, 1958



Mr. John F. Pierce,
Chief Examiner,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Pierce:

In accordance with the request contained in your letter of March 7, 1958, the Board approves the appointment of Martin F. Byrne as an examiner for the Federal Reserve Bank of New York.

It is noted that Mr. Byrne is indebted to the Atlantic Bank of New York, New York, New York, a nonmember bank, in the amount of \$333. Accordingly, the Board's approval is given with the understanding that Mr. Byrne will not participate in any examination of the Atlantic Bank of New York, New York, New York, until his indebtedness to the bank has been liquidated.

The Board also approves the designation of Eugene M. McGee as a special examiner for the Federal Reserve Bank of New York.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.