

Minutes of the Board of Governors of the Federal Reserve System
on Wednesday, May 11, 1960. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Balderston, Vice Chairman
Mr. Szymczak
Mr. Robertson
Mr. Shepardson
Mr. King

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thomas, Adviser to the Board
Mr. Young, Adviser to the Board
Mr. Shay, Legislative Counsel
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Noyes, Director, Division of
Research and Statistics
Mr. Farrell, Director, Division of
Bank Operations
Mr. Hexter, Assistant General Counsel
Mr. Chase, Assistant General Counsel
Mr. Conkling, Assistant Director, Division
of Bank Operations
Mr. Masters, Associate Director, Division
of Examinations
Mr. Hostrup, Assistant Director, Division
of Examinations
Mr. Young, Assistant Counsel
Mr. Langham, Chief, Call Report Section,
Division of Bank Operations
Mr. Thompson, Economist, Division of
Research and Statistics

Discount rates. The establishment without change by the Federal Reserve Bank of Minneapolis on May 10, 1960, of the rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to the Bank.

Request of Morgan Guaranty International Finance Corporation
(Item No. 1). Pursuant to the favorable recommendations of the Board's

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staff and the Federal Reserve Bank of New York, as set forth in pertinent documents that had been distributed to the Board prior to this meeting, unanimous approval was given to a letter to Morgan Guaranty International Finance Corporation, New York, New York, granting consent to the purchase of shares of Malayan Industrial Development Finance Limited, Kuala Lumpur, Malaya. A copy of the letter is attached hereto as Item No. 1.

Meeting with representatives of the department store trade.

Pursuant to the understanding at the meeting of the Board on April 14, 1960, Governor Balderston and Mr. Sherman met yesterday with Mr. Alfred C. Thompson, President of the National Retail Merchants Association, and Mr. Sam Flanel, General Manager of the Controllers' Congress, to discuss procedural questions in connection with the department store statistics program. In reporting on the meeting, Governor Balderston made a statement that included comments substantially along the following lines:

The meeting with Messrs. Thompson and Flanel was held in a friendly climate. I made the point that the Board as a whole had not formally considered any complete solution to the retail trade statistics program. I also expressed the personal view that the primary problem was one of improving the quality of the data being distributed and told them that the Board felt some embarrassment in continuing to use a sample considered inadequate. They stated that the trade was in full accord with this approach. Mr. Sherman and I then outlined the procedure that the Board had discussed; namely, the appointment of a small committee to study the substantive problems involved. It was anticipated, we explained, that this committee might consist of two representatives from the industry, two from the

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Federal Reserve System, and one from the Bureau of the Budget and the Bureau of the Census. After they indicated agreement with a committee of such size and composition, I suggested that the Board's representative on the committee might appropriately act as chairman. They indicated that the trade probably would supplement its two representatives by a liaison committee of perhaps seven persons, because of the diversity of stores within the trade. Mr. Flanel, who would be one of the representatives on the committee of five, would keep in touch with the liaison committee to get technical help as the work proceeded and to be sure that the report, when completed, would be accepted by the trade.

In the course of the meeting, it was brought out that during recent weeks Dr. Raymond T. Bowman of the Bureau of the Budget had gotten the industry moving on exploration of some of the technical problems involved in the retail trade statistics. Mr. Flanel expressed the view that perhaps this work should be stopped until after the committee of five was organized and the two programs could proceed in collaboration. In these circumstances, it seemed to me that we should now get in touch with Dr. Bowman, because he would know nothing of the meeting yesterday and what was in mind in the way of procedure.

During yesterday's meeting, Mr. Thompson asked whether the Board had decided to divest itself of the department store statistics program, and my answer was in the negative. Mr. Thompson also asked who would make the ultimate decision, and Mr. Sherman and I conveyed the thought that the final solution ought to be reached as the result of mutual agreement, so as best to accomplish the objectives of all of the parties concerned.

Mr. Sherman added to Governor Balderston's comments by saying that question also had been raised yesterday regarding announcement of the contemplated procedure to the retail trade, and that Mr. Thompson had suggested clearance of any such announcement through the Board's offices before it was issued.

Governor Balderston noted that the process of clearance would include getting in touch with the Federal Reserve Banks so they would know in advance of any announcement that was to be made.

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Governor Balderston then suggested that he be joined in the discussion with Dr. Bowman by Messrs. Sherman and Young, and it was agreed that this would be appropriate. In accepting the assignment, Mr. Young stated that in his opinion the work done thus far looking to the eventual placement of responsibility for collection of the department store statistics in the Bureau of the Census had been in the right direction, and that the ultimate aim should still be one of transferring the statistical program away from the Federal Reserve System.

Mr. Noyes expressed some concern regarding the suggestion of Mr. Flanel, as reported by Governor Balderston, that the technical work now being done under the direction of Dr. Bowman be halted pending the activation of the committee of five. Mr. Young likewise expressed concern and indicated doubt as to whether it would be appropriate for the Federal Reserve to support a suggestion that a Budget Bureau program having as its objective improvement of the quality of statistics be interrupted. Mr. Sherman said he gathered the intent of Mr. Flanel had been to suggest that the phases of work with regard to the department store program be integrated so that different groups would not be going in different directions. He did not think it was intended that Federal Reserve representatives talk with Dr. Bowman about this matter, but rather that this point might be raised by the department store representatives on the committee of five.

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Chairman Martin expressed the view that there ought not be too many cooks stirring the broth. He suggested that Governor Balderston and Mr. Sherman get all the advice they could from Messrs. Young and Noyes and try to pull the pieces together with a view to getting out of the present predicament.

At this point Governor Shepardson raised certain questions with regard to the record made by the Board thus far in connection with the possible transfer of the department store statistics program to the Bureau of the Census. He recalled that in the fall of 1959 the Board considered a plan then being developed by the Bureau of the Census and the Bureau of the Budget and authorized its staff to go ahead with negotiations with those agencies. Although the Board subsequently decided to reconsider the matter, he felt it should not be made to appear that the Board had never considered the question or authorized its staff to proceed with interagency negotiations.

Chairman Martin said he thought that was a correct recollection of the record. When the department store representatives met with the Board on March 7, 1960, the Board decided to reconsider the matter, and that was the status at the present time.

Governor Robertson commented that the Board should guard against conveying any impression that it had not considered this matter at any time and the staff had acted on its own initiative, for the Board had been aware of developments from the beginning. The Board was now reconsidering the matter to see what it would do, and it had not acted finally.

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After further discussion, Chairman Martin suggested that the point raised by Governor Shepardson be discussed further with Mr. Thompson so that there would be no possibility of a misunderstanding. The Board was reconsidering the matter in the light of representations made by the department store group that met with the Board in March, but the Board would want to avoid giving any impression that it had not considered the matter before that time.

Chairman Martin then suggested that work on the department store statistics program proceed along the lines proposed by Governor Balderston earlier in the meeting, and no disagreement was expressed.

Mr. Thompson then withdrew.

Later in the meeting, Mr. Sherman commented that the Board should not be under the impression that an erroneous understanding of the record in connection with Board consideration of the department store statistics program had been given to Messrs. Thompson and Flanel yesterday. Governor Balderston had opened the meeting with a reference to the discussion between the Board and representatives of the trade on March 7, 1960, and had commented that the Board received useful information at that time. In this setting Governor Balderston made the statement that the Board had not considered in detail just what program there should be for resolving the problems having to do with the retail trade statistics. Subsequently, Messrs. Thompson and Flanel referred to the hearings earlier this year before a Subcommittee of the Senate Appropriations Committee regarding an appropriation for the Census Bureau, and

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the letter of the Board sent to Subcommittee Chairman Holland at that time was specifically mentioned. There was no doubt on the part of Messrs. Thompson and Flanel that previously there had been discussions by the Board and elsewhere in the System of the problem of the department store statistics.

Miss Hart, Assistant Counsel, entered the room at this point.

Report on enrolled bill S. 1062 (Item No. 2). With a memorandum from Mr. Walter Young dated May 10, 1960, there had been distributed to the Board a draft of letter to the Bureau of the Budget in reply to its request for the Board's views on enrolled bill S. 1062, which would amend the Federal Deposit Insurance Act to require Federal approval for all mergers and consolidations of insured banks.

In the course of discussion, agreement was expressed with a suggestion that the proposed reply be shortened so as to state simply that the Board recommended approval of the bill. Unanimous approval then was given to a letter to the Budget Bureau in the form attached as Item No. 2.

Question under section 32 (Item No. 3). In a letter dated May 6, 1960, the Administrator of the Small Business Administration asked to be advised whether section 32 of the Banking Act of 1933 would prohibit an officer, director, or employee of a member bank from serving at the same time as an officer, director, or employee of a licensee corporation under the Small Business Investment Act of 1958. With a

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memorandum from Miss Hart dated May 10, 1960, there had been distributed a draft of reply expressing a negative opinion.

Mr. Hackley commented that the staff had given consideration to the possibility of recommending an amendment to Regulation R, Relationships with Dealers in Securities under Section 32 of the Banking Act of 1933, instead of an interpretation. However, the staff felt that an interpretation would be preferable on the ground that small business investment companies organized under the Small Business Investment Act of 1958 are not really investment companies, as customarily defined, and that relationships between member banks and such companies are not of the type intended to be covered by section 32 of the Banking Act of 1933. He recommended, however, that the proposed interpretation, if approved, be published in suitable form in the Federal Reserve Bulletin and the Federal Register, in addition to being made available to the Federal Reserve Banks.

Thereupon, the proposed letter to the Administrator of the Small Business Administration was approved unanimously, with the understanding that the supplemental procedures suggested by Mr. Hackley would be followed. A copy of the letter is attached as Item No. 3.

Mr. Chase and Miss Hart then withdrew.

Application of New Hampshire Bankshares, Inc. (Items 4 and 5).

On April 22, 1960, the Board requested the Legal Division to draft a notice of tentative decision granting the application of New Hampshire

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Bankshares, Inc., Nashua, New Hampshire, filed pursuant to section 3(a) of the Bank Holding Company Act of 1956, to acquire up to 60 per cent of the outstanding voting shares of The Peoples National Bank of Claremont, Claremont, New Hampshire. Drafts of the Notice of Tentative Decision and a Tentative Statement had now been distributed with a memorandum from the Legal Division dated May 9, 1960.

There was unanimous agreement that the Notice of Tentative Decision and Tentative Statement should be issued in the form submitted. Copies are attached hereto as Items 4 and 5, respectively.

Secretary's Note: The Notice was issued at 4:00 p.m., EDST, on May 12, 1960.

Mr. Hostrup then withdrew.

Report on H.R. 10213 (Item No. 6). Under date of May 9, 1960, there had been distributed to the Board a draft of letter to the Senate Committee on Banking and Currency in reply to a request for a report from the Board on H.R. 10213, cited as the "Emergency Home Ownership Act."

In discussion of the matter, Mr. Noyes noted that the views stated in the proposed letter were in line with views that had been expressed by the Board in the past concerning similar proposed legislation.

At the conclusion of the discussion, the letter to the Senate Banking and Currency Committee, a copy of which is attached as Item No. 6, was approved unanimously.

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At this point Mr. Johnson, Director, Division of Personnel Administration, entered the room.

Condition report of Bank of Spanish Fork (Item No. 7). There had been circulated to the Board a memorandum from the Division of Bank Operations dated May 2, 1960, discussing a question raised by the Federal Reserve Bank of San Francisco as to whether republication of the report of condition of the Bank of Spanish Fork, Spanish Fork, Utah, as of March 15, 1960, should be required. It was the view of the Division, in the light of the circumstances involved, that republication should not be required, and there had been submitted a draft of letter to the Reserve Bank in line with that recommendation.

Following comments by Messrs. Farrell and Conkling, the proposed letter to the San Francisco Reserve Bank was approved unanimously. A copy is attached as Item No. 7.

Use of Board's computer (Item No. 8). In a letter dated April 21, 1960, the Chairman of the Federal Deposit Insurance Corporation indicated that the Corporation was planning to install modern data processing facilities, but that the equipment would not be available for possibly two years. He inquired whether arrangements could be made for use of the Board's computer during the interim period for the processing of statistics with regard to the condition as well as the earnings of insured nonmember banks. A proposed reply, which had been circulated

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prior to this meeting, would respond to the request affirmatively, in line with the action taken previously by the Board authorizing the computer processing of condition and earnings data of national and insured nonmember banks at no cost to the Comptroller of the Currency or to the Federal Deposit Insurance Corporation for use of computer time.

In discussion of the matter, suggestions were made for a slight revision of the proposed reply which would make it clear that time on the Board's computer for the purposes mentioned would be made available to the Federal Deposit Insurance Corporation without cost, but that cost estimates allocable to work performed for the Corporation could be prepared for the information of that agency. It was understood that the Corporation had indicated informally that such estimates would be useful to it in considering the purchase of data processing equipment. Accordingly, unanimous approval was given to a letter to the Chairman of the Federal Deposit Insurance Corporation in the form attached as Item No. 8.

Messrs. Conkling and Langham then withdrew.

Letter from Subcommittee on Constitutional Rights (Item No. 9).

In a letter dated September 9, 1959, approved the preceding day, the Board furnished certain information deemed pertinent to questions that had been raised in a letter from the Chairman of the Subcommittee on Constitutional Rights of the Senate Committee on the Judiciary relative to instructions to Board employees concerning communications with members

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or committees of the Congress. In a letter dated April 29, 1960, the Subcommittee Chairman indicated that the Subcommittee was interested in restrictions upon individual, as distinct from official, communications, and a draft of proposed reply had been distributed to the Board.

Certain suggestions were made with respect to the form of the proposed reply, following which unanimous approval was given to a letter to the Chairman of the Subcommittee on Constitutional Rights in the form attached as Item No. 9.

Mr. Johnson then withdrew.

Use of Chairman's reply to letter from group of Senators (Item No. 10). In view of questions received from certain Federal Reserve Banks concerning possible distribution, including distribution outside the Federal Reserve System, of Chairman Martin's letter of April 14, 1960, sent on an individual basis to the 21 Senators who wrote to him on March 12, 1960, with regard to certain aspects of monetary policy, there had been distributed to the Board a draft of telegram to the Reserve Banks indicating that the Chairman's letter had not been released by any of the Senators to whom it was addressed, and that unless and until one of the addressees should make the reply public it must be regarded as unpublished information and handled in accordance with section 8(a) of the Board's Rules of Organization.

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The telegram to the Reserve Banks, a copy of which is attached as Item No. 10, was approved unanimously.

Report on H.R. 11867 (Item No. 11). With a memorandum from Mr. Noyes dated May 10, 1960, there had been distributed to the Board a draft of letter to the House Committee on Interstate and Foreign Commerce in response to a request for the Board's views on H.R. 11867, a bill "to supplement the national policy against unfair methods of competition and unfair or deceptive acts or practices in commerce by requiring full disclosure of finance charges in connection with extensions of credit."

Agreement was expressed with two suggested deletions from the draft reply, following which unanimous approval was given to a letter to the House Committee on Interstate and Foreign Commerce in the form attached as Item No. 11.

Applications under new bank merger legislation. Mr. Sherman called to the Board's attention that the staff had been working with representatives of the other two Federal bank supervisory agencies in the preparation of a form of application that could be used by banks applying to the respective agencies for approval of mergers, consolidations, or absorptions under the provisions of bill S. 1062, now awaiting the President's signature. He went on to say that a draft form of application had been prepared and that it was proposed to send copies to the Federal Reserve Banks for comment, with the request that

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State member banks submit their applications in a form similar to the draft pending adoption of a final form of application. He noted that the matter would be brought to the Board again when the proposed final form was available for consideration.

No objection was interposed to the procedure outlined by Mr. Sherman.

The meeting then recessed and reconvened in the Board Room at 3:15 p.m., at which time Messrs. Balderston, Szymczak, Robertson, and King were present, along with Messrs. Sherman, Kenyon, Young, and Noyes of the staff.

Department store statistics (Items 12, 13, and 14). At the request of Governor Balderston, there had been distributed to the members of the Board copies of a draft of letter to Mr. Alfred C. Thompson, President of the National Retail Merchants Association, summarizing the meeting yesterday with Messrs. Thompson and Flanel that Governor Balderston reported to the Board this morning. The letter also indicated that arrangements had been made for representatives of the Board to meet tomorrow with Dr. Raymond Bowman of the Bureau of the Budget to obtain the latter's reaction to the contemplated procedure under which a small committee representing the trade, the Bureau of the Budget, the Census Bureau, and the Federal Reserve System would be organized for further consideration of the retail trade statistics program.

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Governor Balderston stated that, as indicated in the proposed letter, arrangements had been made whereby he, Mr. Sherman, and Mr. Young would meet with Dr. Bowman tomorrow at 10:00 a.m. He then referred to his desire that the impression not be gained outside the System that there had been any lack of coordination between the Board and its staff in connection with consideration of the department store statistics program, and also to his desire that the Budget Bureau not be led to feel that the System was retreating from its earlier position simply because a request for an appropriation for the Census Bureau for the collection and distribution of department store statistics had failed. The Budget Bureau, he noted, had undertaken discussions with the trade that were in process concerning the quality of retail trade statistics. It was his own feeling that what had been overlooked, because of the complexity of the whole problem, was adequate attention to relations with the trade. Close relationships between the Federal Reserve and the department store industry had existed over a period of several decades and the stores had grown to rely upon the statistics for operating purposes. He would be inclined to spend whatever money was involved to continue the series on a sound basis, but he was concerned by the statements of the staff that the current data were not of appropriate quality.

Governor Balderston then turned to the question of the Board's position on the matter and stated that in his own mind the primary objective was to improve the retail trade statistics to meet the needs

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of the Board for guidance in the formulation of monetary policy, with the understanding that it would be preferable if eventually the collection of retail trade statistics could be in a single agency. His own view, he pointed out, had been amended somewhat since the meeting with representatives of the department store industry on March 7, 1960. He would not favor precipitate action that would prevent department stores from securing such part of the current data as they considered vital to their operations; he would favor collaboration among the various parties to work out a long-run solution based on support of portions of the statistical program by the respective parties according to their needs. In further comments, he observed that perhaps there was a difference between his own point of view at the moment and what the Budget Bureau understood to be the System's point of view.

At Governor Balderston's request, Mr. Young then made a statement in which he referred to the study of the department store statistics within the System over a substantial period of time, with a view to correction of the weaknesses that had been observed. This study, he brought out, was made in the light of the various considerations involved, including the amount of time and money devoted to the series and the fact that only a portion of the statistics was needed for the purposes of monetary policy, other portions being in the nature of trade association statistics furnished at public expense. He went on to trace the manner in which consideration had been given to the possibility of a transfer of this activity to the Census Bureau and noted that such a

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transfer would be generally in accord with the Federal statistical program. He continued to feel that in the long run the solution that had been sought was an appropriate one and that the Federal Reserve should adhere to the position of seeking such a solution. While apparently it would now be necessary to go slower than originally contemplated, it still seemed to him desirable that the retail trade statistics be combined with the department store data to provide a current picture of discretionary consumer spending in one package.

Discussion then turned to the draft of letter to Mr. Thompson that had been distributed before this meeting, and Governor Robertson made several suggestions regarding the form of the letter.

In the light of these suggestions, there followed discussion with respect to the language that would most appropriately describe the Board's position on the matter during which Mr. Young and Mr. Noyes reviewed the authorizations that had been given by the Board to its staff, beginning in the fall of 1959, to explore further with the Census Bureau and Budget Bureau a program that envisaged seeking an appropriation for the Census Bureau for the collection of department store statistics, this appropriation to be supplemented by funds from the Federal Reserve and from the trade to provide additional statistics desired by the Federal Reserve and by the trade, respectively.

During the course of the foregoing discussion Mr. Molony, Assistant to the Board, joined the meeting.

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There followed references to meetings of the Board (subsequent to its meeting with representatives of the trade on March 7, 1960) during which agreement had been expressed that it was not the Board's position that a final determination had been made with respect to divestment by the Federal Reserve of the collection and distribution of department store statistics.

As the result of this discussion, it was agreed that it would be appropriate to state in the letter to Mr. Thompson that the Board had not made a final determination on the collecting and publishing of department store statistics, and that the Board was desirous of exploring the matter further before making such a determination.

Unanimous approval then was given to a letter to Mr. Thompson in the form attached as Item No. 12.

It was understood that the Chairman of the Presidents' Conference had informally designated Vice President Rice of the Federal Reserve Bank of Dallas as the Reserve Banks' representative on the committee of five, and it was agreed that steps should be taken to have that designation formalized, assuming the meeting tomorrow with Dr. Bowman resulted in agreement on the committee procedure. In this connection, Governor Balderston indicated that at tomorrow's meeting with Dr. Bowman he intended to stress that the System had not withdrawn its support of the Budget Bureau program and that the thought of the Board was to devise

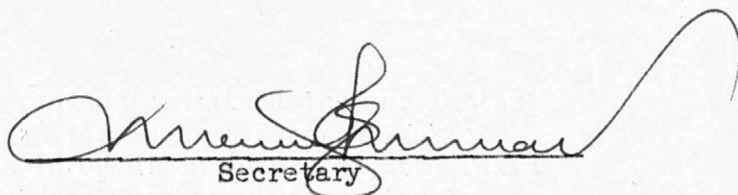
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a program whereby all parties interested in the program of retail trade statistics would move forward in collaboration.

Secretary's Note: Attached, as Items 13 and 14, respectively, are copies of letters sent to Mr. Thompson on May 17, 1960, and to the Chairman of the Presidents' Conference on May 18, 1960, with further regard to the department store statistics program, as discussed at this meeting.

The meeting then adjourned.


Secretary

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

Item No. 1
5/11/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 11, 1960



Mr. Walter K. Davies,
Executive Vice President,
Morgan Guaranty International
Finance Corporation,
23 Wall Street,
New York 8, New York.

Dear Mr. Davies:

In accordance with the request contained in your letter of May 6, 1960, transmitted through the Federal Reserve Bank of New York, and on the basis of the information furnished, the Board of Governors grants consent for Morgan Guaranty International Finance Corporation to purchase and hold 1,500 "Capital B" shares, par value M\$100 each, of Malayan Industrial Development Finance Limited, Kuala Lumpur, Malaya, at a cost of approximately US\$49,500, provided such stock is acquired within one year from the date of this letter.

The Board's consent is granted upon condition that Morgan Guaranty International Finance Corporation shall dispose of its holdings of stock in the Malayan corporation, as promptly as practicable, in the event that the Malayan corporation should at any time (1) engage in issuing, underwriting, selling or distributing securities in the United States; (2) engage in the general business of buying or selling goods, wares, merchandise, or commodities in the United States or transact any business in the United States except such as is incidental to its international or foreign business; or (3) conduct its operations in a manner inconsistent with Section 25(a) of the Federal Reserve Act or regulations thereunder.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 2
5/11/60

OFFICE OF THE CHAIRMAN

May 11, 1960

Mr. Phillip S. Hughes,
Assistant Director for
Legislative Reference,
Bureau of the Budget,
Washington 25, D. C.

Dear Mr. Hughes:

This is in response to your communication of May 9, 1960 requesting the views of the Board on the enrolled bill, S. 1062, "To amend the Federal Deposit Insurance Corporation Act to require Federal approval for mergers and consolidations of insured banks."

The Board recommends approval of the bill.

Sincerely yours,

A handwritten signature in cursive script, reading "Wm. McC. Martin, Jr." with a large, stylized flourish at the end.

Wm. McC. Martin, Jr.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 3
5/11/60

OFFICE OF THE CHAIRMAN

May 11, 1960



The Honorable Philip McCallum,
Administrator,
Small Business Administration,
Washington 25, D. C.

Dear Mr. McCallum:

This refers to your letter of May 6, 1960, asking to be advised whether section 32 of the Banking Act of 1933 (12 U.S.C. 78) prohibits an officer, director, or employee of a member bank from serving at the same time as an officer, director, or employee of a Licensee corporation under the Small Business Investment Act of 1958 (12 U.S.C. 661 et seq.). * It is understood that a Licensee would be authorized to engage only in the activities set forth in the statute, namely, to provide capital and long-term loan funds to small business concerns.

In the opinion of the Board, a corporation engaged exclusively in the enumerated activities would not be "primarily engaged in the issue, flotation, underwriting, public sale, or distribution, at wholesale or retail, or through syndicate participation, of stocks, bonds, or other similar securities." Accordingly, the prohibition of section 32 would not apply to serving as an officer, director, or employee of either a small business investment company organized under the Small Business Investment Act of 1958, or an investment company chartered under the laws of a State solely for the purpose of operating under the Small Business Investment Act of 1958.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

* Should have read (15 U.S.C. 661 et seq.).

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 4
5/11/60

NOTICE OF TENTATIVE DECISION ON APPLICATION FOR PRIOR
APPROVAL OF ACQUISITION BY A BANK HOLDING COMPANY
OF VOTING SHARES OF A BANK

Notice is hereby given that, pursuant to section 3(a) of the Bank Holding Company Act of 1956, New Hampshire Bankshares, Inc., Nashua, New Hampshire, a bank holding company, has applied for the Board's prior approval of the acquisition of up to 60 per cent of the 2,000 outstanding voting shares of The Peoples National Bank of Claremont, Claremont, New Hampshire. Information relied upon by the Board in making its tentative decision is summarized in the Board's Tentative Statement of this date, which is attached hereto and made a part hereof, and which is available for inspection at the Office of the Board's Secretary, at all Federal Reserve Banks, and at the Office of the Federal Register.

The record in this proceeding to date consists of the application, the Board's letter to the office of the Comptroller of the Currency inviting his views and recommendations on the application, the Comptroller's reply, this Notice of Tentative Decision, and the Tentative Statement.

For the reasons set forth in the Tentative Statement, the Board proposes to grant the application.

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Notice is further given that any interested person may, not later than fifteen (15) days after the publication of this notice in the Federal Register, file with the Board in writing any comments upon or objections to the Board's proposed action. Communications should be addressed to the Secretary, Board of Governors of the Federal Reserve System, Washington 25, D. C.

Following expiration of the said 15-day period, the Board's Tentative Decision will be made final by order to that effect, unless for good cause shown other action is deemed appropriate by the Board.

Dated at Washington, D. C., this 11th day of May, 1960.

By order of the Board of Governors.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 5
5/11/60

APPLICATION BY NEW HAMPSHIRE BANKSHARES, INC., NASHUA, NEW HAMPSHIRE,
FOR PRIOR APPROVAL OF ACQUISITION OF VOTING SHARES OF
THE PEOPLES NATIONAL BANK OF CLAREMONT, CLAREMONT, NEW HAMPSHIRE

TENTATIVE STATEMENT

New Hampshire Bankshares, Inc., Nashua, New Hampshire ("Applicant"), a bank holding company, has applied, pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 ("the Act"), for the Board's prior approval of the acquisition of up to 60 per cent of the 2,000 outstanding voting shares of The Peoples National Bank of Claremont, Claremont, New Hampshire ("Peoples").

View and recommendations of the Comptroller of the Currency. - As required by section 3(b) of the Act, the Board forwarded notice of the application to the Comptroller of the Currency. The Comptroller recommended approval of the application.

Statutory factors. - Section 3(c) of the Act requires the Board to take into consideration the following five factors: (1) the financial history and condition of the holding company and bank concerned; (2) their prospects; (3) the character of their management; (4) the convenience, needs, and welfare of the communities and area concerned; and (5) whether or not the effect of the acquisition would be to expand the size or extent of the bank holding

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company system involved beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking.

Discussion. - Applicant owns a majority of the shares of each of six commercial banks in New Hampshire. At midyear 1959 these banks had total deposits of \$43,156,000.

The city of Claremont, where Peoples is located, is situated in the west central portion of New Hampshire, in the Connecticut River Valley. It is described by Applicant as being primarily an industrial community with an estimated population of 15,500. Peoples is one of two commercial banks located in Claremont, which is also served by a savings bank.

The financial history and condition, prospects, and management of both Applicant and Peoples are satisfactory.

In respect to the effect of the proposed acquisition on the convenience, needs, and welfare of the community and area concerned, Applicant asserts that its control of Peoples would supply an added capacity of management and capital, resulting in the Bank's ability to improve materially the quality and quantity of banking services provided to its customers and the community. In this regard, however, Applicant has commented, in its application, on the qualifications of Peoples' staff and operating officers, on the competency of individuals who would be expected in the future to succeed present management, and on the fact that no immediate changes are contemplated in the present management. These

expressions conform to the Board's judgment that the present management of Peoples is satisfactory and that no problem in this regard appears to exist. Similarly, the evidence presented justifies the conclusion that the capital position of Peoples is satisfactory. While Applicant might be better able than is the present ownership to supply capital, if needed in the future, there is no evidence of an existing capital need or of the inability of the present ownership to supply or secure capital if necessary.

Applicant states that, if it acquired Peoples, it would inaugurate or enlarge specified customer services, particularly loan services. While the services specified would add to some degree to the convenience of those seeking such accommodations, there is no indication in the record before the Board that the needs of the community are not presently being served adequately in all major respects. Approval of the application would to some extent benefit the convenience of the community and the area concerned; but in view of the lack of evidence as to a community need to be served by, or benefit to the community welfare to result from, this acquisition, the Board finds no strong support relative to the fourth statutory factor for approval of this application.

An additional judgment required of the Board in its consideration of this application is whether the effects of the acquisition proposed would be to expand the size or extent of Applicant's

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bank holding company system beyond limits consistent with adequate and sound banking, the public interest, and the preservation of banking competition.

At June 10, 1959, Applicant's six banks constituted 8 per cent of the State's total commercial banks and held 11 per cent of the total deposits of such banks. Acquisition of Peoples would increase Applicant's control of commercial bank total deposits by less than two percentage points. Applicant's subsidiary bank nearest to Peoples is at Wilton, New Hampshire, which, by the most accessible route, is approximately 67 miles southeast of Claremont, and is the second smallest bank in Applicant's system. Its largest subsidiary, Indian Head National Bank, located at Nashua, New Hampshire, approximately 76 miles southeast of Claremont, had total deposits of \$17.5 million at June 10, 1959.

It was found that an insignificant amount of deposits of individuals, partnerships and corporations held by the Indian Head National Bank originated from within the designated primary service area of Peoples (the area from which at least 75 per cent of the total amount of its deposits arises). Considering the fact that Applicant's other subsidiary banks, and Peoples, range in size from less than one-half to less than one-seventh of the size of Indian Head National Bank, and in view of the distances separating Applicant's subsidiaries and Peoples, it

may be fairly concluded that the amount of business of Applicant's banks derived from Peoples' primary service area, and likewise the business derived by Peoples from the areas in which the Applicant's banks primarily operate, would be negligible. The competition between Applicant's present subsidiaries and Peoples that would be reduced or eliminated, if Peoples were acquired by Applicant, would therefore be insignificant.

At midyear 1959 Peoples had 49 per cent of the total deposits of the two commercial banks and 28 per cent of the total deposits of the three banks located in Claremont. At the same date, Peoples held 19 per cent of the total deposits of the eight commercial banks in its primary service area and 11 per cent of the total deposits of the eleven banks, including savings banks, in that area. In view of the extent to which New Hampshire law permits mutual savings banks to compete with commercial banks for certain types of business, the Board, in determining the probable effect of the proposed acquisition on banking competition, has given consideration to the competition offered by mutual savings banks in the area.

On the basis of the evidence adduced, it does not appear that Applicant's acquisition of Peoples would result in an undue concentration of banking resources in the area concerned, nor produce results inconsistent with adequate and sound banking, the public interest, and the preservation of banking competition.

Conclusion. - Viewing the relevant facts in the light of the general purposes of the Act and the factors enumerated in section 3(c), it is the judgment of the Board that the proposed acquisition would be consistent with the statutory objectives and the public interest and that the application should be approved.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 6
5/11/60

OFFICE OF THE CHAIRMAN

May 11, 1960

The Honorable A. Willis Robertson,
Chairman, Committee on Banking and Currency,
United States Senate,
Washington 25, D. C.

Dear Mr. Chairman:

This is in response to your request of May 3, 1960, for a report from the Board of Governors on H. R. 10213, the "Emergency Home Ownership Act." This bill has been passed by the House of Representatives and is now before your Committee.

By the terms of this bill, the authority of the Federal National Mortgage Association to hold mortgages under the Special Assistance Program, financed directly by the Treasury, would be increased by \$1,075 million. Of this amount, \$1 billion would be available for FHA-insured or VA-guaranteed mortgages not larger than \$13,500 each (or \$14,500 each in high-cost areas), \$50 million would be available for mortgages, not larger than \$8,000 each, insured by FHA under Section 203 (i) of the National Housing Act, and \$25 million would be available for FHA-insured mortgages on offbase defense housing in impacted areas.

In addition, the bill would limit the discretion of the Association in the management of its affairs by prohibiting sales of mortgages at less than acquisition cost; prohibiting further exchange of mortgages for Government securities; prohibiting purchase of mortgages under the Special Assistance Program at less than par; prohibiting purchase of mortgages insured under Section 203 (i) "if any service charge (other than the normal origination fee charged to the mortgagor) was imposed or collected in connection with the making of the loan"; prescribing the fees and charges the Association may impose for commitments and purchase, and the manner of their collection; and severely restricting the grounds on which the Association may refuse to purchase mortgages.

The Honorable
A. Willis Robertson

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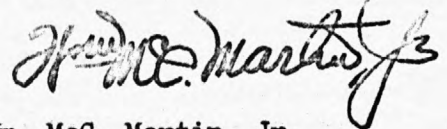
The bill would amend the National Housing Act by explicitly authorizing the Federal Housing Administration to recognize individuals as approved mortgagees, eligible to hold FHA-insured mortgages, and by authorizing FHA to reduce the insurance premium from one-half of one per cent to one-fourth of one per cent. The bill would also require the mortgagee on any FHA-insured or VA-guaranteed mortgage to report any fees, charges, or discounts paid by any person (except the mortgagor) in connection with the arranging of the loan.

The Board believes that enactment of this bill would be detrimental to sound fiscal policy and would further complicate the Treasury's debt management problems. The bill's restrictions on the Federal National Mortgage Association's management discretion would "lock-in" the mortgages the Association already holds, and the addition of over \$1 billion to the FNMA portfolio would require the Treasury to raise additional funds in the same amount. The Treasury is already faced with very difficult problems in view of the continued large refinancing of maturing debt and the limitation on the interest rate it may pay on any long-term securities it may offer. In these circumstances the maintenance of a surplus is vital to a sound fiscal policy and to a lower level of interest rates generally.

The continued high level of mortgage lending without Government insurance or guarantee suggests that mortgage borrowing is being done on terms satisfactory to both lenders and borrowers. Perhaps if permissible interest rates on FHA-insured and VA-guaranteed mortgages were free to reflect market conditions, many of the difficulties the bill seems designed to remedy would disappear.

For these reasons, the Board does not favor enactment of H. R. 10213.

Sincerely yours,



Wm. McC. Martin, Jr.

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

Item No. 7
5/11/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 11, 1960.



Mr. E. H. Galvin, Assistant Vice President,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Dear Mr. Galvin:

This refers to your letter of April 13 requesting the Board's views on the republication of the March 15 report of condition of the Bank of Spanish Fork, Spanish Fork, Utah. It is understood that (1) the member bank sold to a savings and loan association, under repurchase agreement, about \$540,000 of real estate mortgages which were still outstanding at the call date; (2) prior to the proposed sale the bank was advised that, in accordance with the existing instructions for preparing reports of condition of State member banks, such a transaction must be reported at Item 20, "Bills payable, rediscounts, and other liabilities for borrowed money"; and (3) the March 15 report of condition of the Bank of Spanish Fork, as submitted to the Federal Reserve Bank of San Francisco and published in the Spanish Fork Press, showed no amount against Item 20.

The Board concurs that under the instructions for the preparation of reports of condition, which are uniform in this respect for all insured banks, the amounts should have been reported and published in loans and in borrowings. In view of the sizable amount involved, republication of the bank's report of condition would be clearly justified if the misreporting were deliberate. A review of the files on this bank indicates that its reports of condition heretofore have been substantially accurate, and its inquiry regarding a possible violation of Regulation Q indicates that it has proper respect for correct reporting. In the circumstances, the Board prefers to believe that the bank, primarily interested in the Regulation Q question, may not have comprehended the implications of the advice given to it regarding the borrowings item.

It is suggested that you respond to the bank's letter of March 31, 1960 by instructing it in writing how the real estate loans and borrowings

Mr. E. H. Galvin

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items should have been reported, and should be reported if any portion of the borrowing is outstanding when the next call is made. After this has been done, your Bank is authorized to require republication, without referral to the Board, of any report of condition submitted by the Bank of Spanish Fork within the next two years which is incorrect in these matters.

Sincerely yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 8
5/11/60

OFFICE OF THE CHAIRMAN

May 11, 1960.

The Honorable Jesse P. Wolcott,
Chairman,
Federal Deposit Insurance Corporation,
Washington 25, D. C.

Dear Mr. Wolcott:

The Board was delighted to learn from your letter of April 21, 1960, that the Corporation plans to install modern data processing equipment in your new building. The Board's installation has been very helpful in speeding up the availability of many of its statistical series.

Our computer now compiles condition and earnings figures reported by national and State member banks from cards punched at the Reserve Banks. During the experimental period in computer processing all member bank data, prior to the key punching of national bank figures at the Reserve Banks, the Office of the Comptroller of the Currency arranged with a local service bureau to key punch and verify condition and earnings reports submitted by national banks. The card punching process is the bottle-neck of the operation and we assume that the Corporation will furnish punched and verified cards together with such professional and technical assistance as may be necessary. Messrs. Langham, Schwartz, and Wilson of the Board's staff have already discussed this project with your staff and will continue to co-operate by processing condition and earnings data reported by insured banks not members of the Federal Reserve System until your new equipment is available.

The Board has authorized the computer processing of condition and earnings data of national and insured non-member banks at no cost to the Comptroller of the Currency or to the Federal Deposit Insurance Corporation for use of the computer time. However, estimates of costs that could properly be allocated to work performed for the Corporation could be prepared for your information.

Mr. Wolcott

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A reconsideration of the assignments of responsibility for compiling and publishing banking statistics for all insured banks should be made from time to time for the mutual benefit of both the compiling agencies and users of these statistics. During the transition period of converting to automated electronic processing, some worthwhile improvements will undoubtedly be suggested for further consideration.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 9
5/11/60

OFFICE OF THE CHAIRMAN

May 11, 1960

The Honorable Thomas C. Hennings,
Chairman,
Subcommittee on Constitutional Rights,
Committee on the Judiciary,
United States Senate,
Washington 25, D. C.

Dear Mr. Chairman:

Your letter of April 29, 1960 states that the Senate Constitutional Rights Subcommittee is interested in any regulation that in any way restricts "individual (as distinct from official) communications between employees" of the Board and members or committees of Congress. Except for the information given you in my letter of September 9, 1959, the Board has issued no regulations, personnel policy directives, memoranda, or similar statements dealing with or restricting in any way communications between its employees and members or committees of Congress. It should be noted that the rules relating to the confidential character of System affairs, a copy of which was previously sent to you and an additional copy of which is enclosed, apply to the conduct of employees generally and would cover correspondence or communications that they might have with anyone.

Sincerely yours,

Wm. McC. Martin, Jr.

Enclosure

T E L E G R A M
LEASED WIRE SERVICEBOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTONItem No. 10
5/11/60

May 11, 1960

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

Inquiries have been received from two Reserve Banks within the past few days regarding Chairman Martin's letter of April 14, 1960, sent on an individual basis to 21 Senators in reply to the letter which they addressed to him on March 12. One inquiry indicated intention to distribute copies outside the Reserve Bank. For your information, Chairman Martin's letter has not been released by any of the Senators to whom it was addressed. Board makes no ^{public} release of such letters and, unless and until one of the addressees makes the Board's reply public, it is unpublished information and must be treated in accordance with section 8(a) of Board's Rules of Organization.

(Signed) Merritt Sherman
SHERMAN



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 11
5/11/60

OFFICE OF THE CHAIRMAN

May 11, 1960

The Honorable Oren Harris, Chairman,
Committee on Interstate and Foreign Commerce,
House of Representatives,
Washington 25, D. C.

Dear Mr. Chairman:

This is in response to your request of April 25, 1960, for a report on H.R. 11867, a bill "To supplement the national policy against unfair methods of competition and unfair or deceptive acts or practices in commerce by requiring full disclosure of finance charges in connection with extensions of credit."

The bill would require a person engaged in the business of extending credit to furnish to the person to whom such credit is extended a statement in writing, in accordance with rules and regulations which the Federal Trade Commission would prescribe, (1) setting forth the total amount of the credit to be extended, (2) setting forth the total amount of the finance charges to be borne by such person in connection with such extension of credit, and (3) stating the percentage that such amount of finance charges bears to the outstanding principal obligation, or unpaid balance, expressed in terms of simple annual interest.

The Board is in full sympathy with the purpose of preventing unfair or deceptive practices in connection with the extension of credit, considering this to be a worthwhile social and economic objective. The present bill appears to be consistent in purpose with the "Trade Practice Rules" of the Federal Trade Commission which require disclosure of finance charges in connection with automobile instalment sales.

By assigning administrative responsibility to the Federal Trade Commission, H.R. 11867 seems preferable to S. 2755,

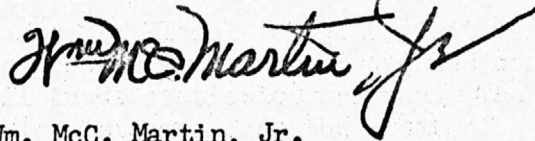
The Honorable Oren Harris

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which assigns administration of similar provisions for disclosure of finance charges to the Board of Governors of the Federal Reserve System. As indicated in its report and testimony on the Senate bill, the Board feels that regulation of trade practices is not an appropriate activity for the Federal Reserve, which is primarily responsible for general credit and monetary policy.

The Board would be glad, of course, to comply with the provision of the bill that would authorize it to furnish the Federal Trade Commission, upon request, views on matters falling within the Federal Reserve's field of responsibility and knowledge.

Sincerely yours,

A handwritten signature in cursive script, reading "Wm. McC. Martin, Jr.", with a large flourish at the end.

Wm. McC. Martin, Jr.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 12
5/11/60

OFFICE OF THE VICE CHAIRMAN

May 11, 1960.

Mr. Alfred C. Thompson,
President,
National Retail Merchants Association,
c/o Miller & Rhoads,
Richmond, Virginia.

Dear Al:

First, I wish to thank you and Mr. Flanel for your visit yesterday afternoon in order to discuss the procedure that the Board was considering in connection with the retail trade statistics program. The procedure that Mr. Sherman and I outlined stemmed from the visit of representatives from the National Retail Merchants Association on March 7.

The points raised on March 7 by your representatives caused the Board to review the steps that had been taken earlier by it and its staff looking toward improvements in the present program. As you know, Board discussions over a number of months, including those with the Bureau of the Budget, have been concerned not only with the problem of the quality of the data (i.e., the adequacy of the sampling) but with the advantages of consolidating the collection of all retail trade data in a single agency of government. As I stated yesterday, the central interest of the Board is in improving the quality of retail trade statistics, but economies would of course not be unwelcome.

The Board has not made a final determination on the collecting and publishing of department store statistics, and is desirous of exploring the matter further before making such a determination. The proposal that we laid before you yesterday had to do with the creation of a committee representing the industry, the Bureau of the Budget and the Bureau of the Census, and the Federal Reserve System. We proposed a Committee of Five, with one of the System's representatives acting as Chairman. The five would consist of two representatives from the industry, one from either the Bureau of the Budget or the Bureau of the Census, and two from the Federal Reserve System.

As to publicity, the suggestion was made by you that any information released regarding the formation of a committee such as we discussed and of the work it would undertake should be cleared with the Board's staff, both as to content and time of release.

Mr. Alfred C. Thompson

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It was agreed that Mr. Sherman and I would invite Mr. Raymond T. Bowman, Assistant Director for Statistical Standards, Bureau of the Budget, to name a representative to the Committee of Five.

It was understood that the proposed procedure would not be discussed by you with members of your association until after Mr. Bowman's reaction had been obtained. We have arranged to meet with him tomorrow morning and, as you suggested, we will get in touch with Mr. Flanel promptly after we know Mr. Bowman's views regarding the proposed committee.

Sincerely yours,

(Signed) Canby

C. Canby Balderston,
Vice Chairman.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 13
5/11/60

OFFICE OF THE VICE CHAIRMAN

May 17, 1960



Mr. Alfred C. Thompson,
President,
National Retail Merchants Association,
c/o Miller & Rhoads,
Richmond, Virginia.

Dear Al:

Your letter of May 12, which came while I was away from Washington and has been brought to my attention this morning, is most gratifying in indicating your accord with the proposals regarding the department store statistics, made during our discussion on May 10 and summarized in my letter of the 11th.

As you know from Merritt Sherman's telephone call last Friday, Dr. Bowman said he would serve on the proposed joint committee, although he did bring up some questions as to the precise scope of that committee's work.

The Board's view is that the joint committee can serve an important purpose in bringing together the thinking of the Federal Reserve, the trade, and the Bureau of the Budget in connection with this program. It should not duplicate the work of the committee on retail trade statistics sponsored by the Bureau of the Budget, and the presence of Dr. Bowman on both committees should help avoid that.

Merritt Sherman has also told me of your comment over the telephone to the effect that the only part of our discussion of last Tuesday that seemed a little "gray" was how to interpret my response of "no" to your direct question whether the Federal Reserve had decided that it would discontinue collection of department store statistics. I am distressed if my flat answer to your question resulted in any misunderstanding on your part.

As I indicated at the opening of our discussion, the Board felt that the visit of the delegation from the National Retail Merchants Association on March 7 was most helpful in bringing into better focus some of the problems of the department store statistics program that it and its staff had been working on for some time.

Mr. Alfred C. Thompson

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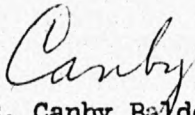
Since March 7, the Board has been re-examining this whole question and, as I said last Tuesday and repeated in my letter of May 11, it has not made a final determination on the collecting and publishing of department store statistics. It is partly because of the Board's desire to explore all aspects of this question afresh that it proposed the joint committee of representatives from the Federal Reserve, the trade, and the Budget Bureau.

It would be equally important that my reply to your question not be taken by you to imply that the Board had reached a decision that the Federal Reserve would continue indefinitely the collecting and publishing of department store statistics. To repeat, the Board has been re-examining this question since your delegation visited us on March 7 and it hopes that out of an objective study by the interested parties a mutually satisfactory solution to the problem of improving the quality of the statistics can be reached. If that problem can be resolved satisfactorily, recognizing the different needs of the Federal Reserve, the stores, and other users of the data, then we are confident that the question of who does what can be taken care of.

I have written at this length because it seems to me and to my colleagues on the Board that any misunderstanding of the Board's position at this point would be most unfortunate and could frustrate the work of the proposed joint committee. Frankly, we here feel encouraged by the discussion that we had with you and Mr. Flanel last week and subsequently with Dr. Bowman, and we are anxious to proceed as rapidly as possible with the completion of the committee in order that its work may get under way. It would seem to be in order for you now to send us the name of the individual who would serve on the committee with Mr. Flanel as representing the National Retail Merchants Association.

To keep Mr. Flanel fully informed, I am sending a copy of this letter direct to him in New York.

Sincerely yours,


C. Canby Balderston,
Vice Chairman.

cc: Mr. Flanel



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 14
5/11/60

OFFICE OF THE CHAIRMAN

May 18, 1960

Mr. D. C. Johns,
Chairman,
Conference of Presidents,
c/o Federal Reserve Bank of St. Louis,
St. Louis 66, Missouri.

Dear Mr. Johns:

At the meeting of the Conference of Presidents with the Board of Governors on March 22, 1960, Mr. Irons made a proposal on behalf of the Conference that a joint committee be formed to consider the department store statistics program.

This suggestion subsequently was considered by the Board, as a result of which a letter was sent to Mr. Irons as Chairman of the Committee on Research and Statistics under date of April 15, 1960, stating that the Board agreed with the formation of a committee of this type, such committee to be composed of representatives from the Federal Reserve, the department store trade, and the Bureau of the Budget or the Bureau of the Census. A copy of that letter was sent to you for your information. It was understood that a meeting would be held with Mr. Alfred C. Thompson, President of the National Retail Merchants Association, for the purpose of discussing the proposed joint committee and that you would be informed of his reaction as well as that of the Bureau of the Budget.

Mr. Thompson visited the Board's offices on May 10, 1960, accompanied by Mr. Sam Flanel, General Manager of the Controllers' Congress of NRMA. As is indicated by the enclosed copy of Mr. Thompson's letter of May 12, he is in accord with the idea of the proposed committee. The matter also has been discussed with Dr. Raymond T. Bowman, Assistant Director for Statistical Standards, Bureau of the Budget, who agreed to serve as a member of the committee on the grounds that he believed it could be useful in bringing together views of the several interested parties on some of the broader aspects of a program relating to the improvement of the quality of department store and other retail trade data. Dr. Bowman felt it important that the scope of the work of this joint committee be developed in a manner that would avoid duplication with the work of an industry committee that is now assisting the Bureau on such matters as departmental classifications and need for various data for standard metropolitan statistical areas and other cities or areas.

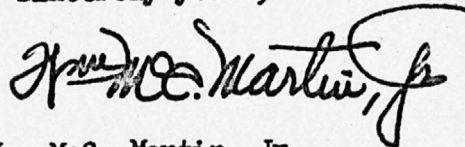
Mr. D. C. Johns

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Since Mr. Thompson has assured the Board that the National Retail Merchants Association will participate in the proposed committee, and since Dr. Bowman of the Bureau of the Budget has agreed to serve, it would seem to be in order for the Conference of Presidents to make a formal designation of a representative to serve on this committee. As was indicated in the Board's letter to Mr. Irons on April 15, 1960, the Board has designated Merritt Sherman, Secretary of the Board, to serve on the committee which, according to the present understanding, will consist of two representatives from the Federal Reserve, two from the trade, and one from the Bureau of the Budget. It will be appreciated if you will inform the Board of the name of the person designated by the Presidents' Conference.

For your information, there are enclosed copies of letters sent to Mr. Thompson on May 11 and 17, 1960, as well as his letter of May 12.

Sincerely yours,



Wm. McC. Martin, Jr.

Enclosures
cc: Mr. Irons