

Minutes for August 1, 1960

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, please initial below. If you were present at the meeting, your initials will indicate approval of the minutes. If you were not present, your initials will indicate only that you have seen the minutes.

Chm. Martin

Gov. Szymczak

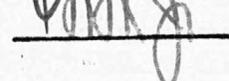
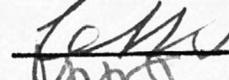
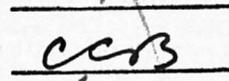
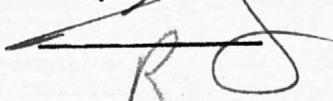
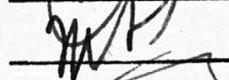
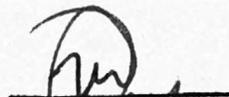
Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King



Minutes of the Board of Governors of the Federal Reserve System  
on Monday, August 1, 1960. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Balderston, Vice Chairman  
Mr. Mills  
Mr. Robertson  
Mr. Shepardson  
Mr. King

Mr. Kenyon, Assistant Secretary  
Mr. Thomas, Adviser to the Board  
Mr. Noyes, Director, Division of Research and  
Statistics  
Mr. Landry, Assistant to the Secretary  
Mr. Yager, Economist, Government Finance Section,  
Division of Research and Statistics

Report on money market conditions. Messrs. Thomas and Yager reported on developments in the money market, including reference to the current Treasury financing and near-term projections of reserve positions of member banks.

During a discussion based on this report, Governor Mills suggested that the Division of Research and Statistics take another look into the question of the degree of liquidity of the economy. It was his opinion, for reasons which he outlined, that the proposition that the economy was "shot through" with liquidity may have been overstated. In this connection, Governor Mills referred to the current issue of the Statistical Bulletin of the Securities and Exchange Commission, in which there was presented a working capital analysis for all United States corporations going back to 1957.

Mr. Noyes stated that the Division of Research and Statistics would review the subject and submit a memorandum.

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Messrs. Solomon, Director, Division of Examinations, Hexter, Assistant General Counsel, and Nelson, Assistant Director, Division of Examinations, joined the meeting at this point, and Messrs. Thomas, Noyes, and Yager withdrew.

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Cleveland, Richmond, St. Louis, Minneapolis, Kansas City, and Dallas on July 28, 1960, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

Proposed consolidation: Johnstown-Somerset, Pennsylvania. There had been distributed under date of July 22, 1960, a proposed report to the Comptroller of the Currency on the competitive factors involved in a proposed consolidation of the United States National Bank in Johnstown, Johnstown, Pennsylvania, and The Peoples National Bank of Somerset, Somerset, Pennsylvania, under the charter of the former bank. The application indicated that the office of The Peoples National Bank of Somerset would be operated as a branch after the consolidation. The report concluded as follows:

It appears that the proposed consolidation would intensify competition in the Somerset area. It would not materially affect the somewhat dominant competitive position of the resulting bank in Johnstown.

During a discussion of this matter, Governor Balderston inquired regarding the basis for the statement that competition in the Somerset area

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would be increased by the proposed consolidation, and Mr. Nelson answered in terms that Peoples National did not have trust powers whereas the branch would be able to make trust services available. He also pointed out that the resulting bank, with its larger loan limit, presumably could compete more effectively than Peoples National with the largest bank now operating in Somerset.

It was noted that the advantage of a larger loan limit could, of course, be cited in practically every case of this kind.

At the conclusion of the discussion, the report to the Comptroller of the Currency on the competitive factors involved in the proposed consolidation of the United States National Bank in Johnstown and The Peoples National Bank of Somerset was approved unanimously.

Proposed merger in Louisville, Kentucky. There had been distributed under date of July 28, 1960, a proposed report to the Comptroller of the Currency on the competitive factors involved in a proposed merger of Lincoln Bank and Trust Company, Louisville, Kentucky, into The First National Bank of Louisville, Louisville, Kentucky. The conclusion of the report was:

The proposed transaction would eliminate from local and regional competition an important competing bank. It would increase to a substantial degree the concentration of commercial banking resources of the community.

Mr. Nelson noted that the Division of Examinations was currently processing an application of the Citizens Fidelity Bank and Trust Company,

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of Louisville, to merge with the Bank of Louisville. Should the Board approve the Citizens Fidelity merger and should the Comptroller of the Currency approve the First National Bank merger, two of the present banks in Louisville would be eliminated. Citizens Fidelity, the largest bank in Louisville, would be increased in size, should its merger plan be approved, to the point that it would hold around 36 per cent of the bank deposits in Louisville. Should the Comptroller approve the application involving Lincoln Bank and Trust and The First National Bank of Louisville, the resulting bank would control about 32 per cent of total bank deposits. If both mergers were approved, two banks therefore would control about 68 per cent of the bank deposits in Louisville.

Mr. Solomon commented that the situation as outlined by Mr. Nelson presented one of the most difficult questions to come before the Board since the bank merger law was passed last May.

Unanimous approval then was given to the report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of Lincoln Bank and Trust Company into The First National Bank of Louisville.

All of the members of the staff then withdrew and the Board went into executive session.

Services of Special Counsel in Continental matter (Item No. 1).  
Governor Balderston later informed the Secretary's Office that during the executive session the Board considered a letter dated July 25, 1960, from

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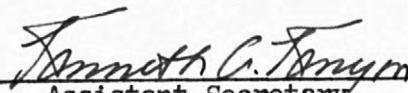
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Mr. Bolling R. Powell, Jr., in which Mr. Powell acknowledged the Board's letter of July 21, 1960, relative to the status of his services as Special Counsel to the Board in the matter of Continental Bank and Trust Company, Salt Lake City, Utah. Mr. Powell submitted with his letter a bill for \$1,175 covering services rendered during the period July 1-July 20, 1960. However, he stated in effect that it would be agreeable to him if the Board should prefer to postpone payment of the bill until such time as further services on his part might be requested incident to any further proceedings in connection with the Continental matter; also, that he would be willing to waive payment of the bill if Continental complied with the Board's Order of July 18, 1960.

Governor Balderston informed the Secretary's Office that, in line with Mr. Powell's suggestion, the Board decided to defer payment of the bill for \$1,175, with the understanding that an appropriate letter advising of this decision would be sent to Mr. Powell.

Secretary's Note: Pursuant to the foregoing action, the letter of which a copy is attached as Item No. 1 was sent to Mr. Powell on August 3, 1960.

The meeting then adjourned.

  
Assistant Secretary

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

Item No. 1  
8/1/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 3, 1960



Mr. Bolling R. Powell, Jr.,  
Powell, Dorsey, Blum & White,  
1741 K Street, N. W.,  
Washington 6, D. C.

Dear Mr. Powell:

The Board appreciates your reply of July 25, 1960, concerning the status of your services in the matter of Continental Bank and Trust Company and of the retainer agreement of May 25, 1956, as amended by the Board's letter of January 21, 1959.

As suggested in your letter, the Board prefers to postpone payment of the bill for \$1,175.00 submitted with your letter of July 25, 1960, pending developments in the case and its decision as to whether further services are required from you or your firm. Of course, no further services under the existing contract will be called for until such a decision is reached.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Kenneth A. Kenyon". The signature is written in a cursive style with a large initial 'K'.

Kenneth A. Kenyon,  
Assistant Secretary.