

Minutes for October 29, 1964.

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

M

Gov. Mills

[Signature]

Gov. Robertson

R

Gov. Balderston

CCB

Gov. Shepardson

[Signature]

Gov. Mitchell

[Signature]

Gov. Daane

[Signature]

Minutes of the Board of Governors of the Federal Reserve System  
on Thursday, October 29, 1964. The Board met in the Board Room at  
10:00 a.m.

PRESENT: Mr. Martin, Chairman 1/  
Mr. Balderston, Vice Chairman  
Mr. Mills  
Mr. Robertson  
Mr. Shepardson  
Mr. Mitchell  
Mr. Daane

Mr. Sherman, Secretary  
Mr. Broida, Assistant Secretary  
Mr. Bakke, Assistant Secretary  
Mr. Young, Adviser to the Board and Director,  
Division of International Finance  
Mr. Molony, Assistant to the Board  
Mr. Cardon, Legislative Counsel  
Mr. Brill, Director, Division of Research  
and Statistics  
Mr. Farrell, Director, Division of Bank  
Operations  
Mr. O'Connell, Assistant General Counsel  
Mr. Shay, Assistant General Counsel  
Mr. Holland, Associate Director, Division  
of Research and Statistics  
Mr. Koch, Associate Director, Division of  
Research and Statistics  
Mr. Dembitz, Associate Adviser, Division of  
Research and Statistics  
Mr. Leavitt, Assistant Director, Division of  
Examinations  
Mrs. Semia, Technical Assistant, Office of  
the Secretary  
Mr. Axilrod, Chief, Government Finance Section,  
Division of Research and Statistics  
Mr. Eckert, Chief, Banking Section, Division  
of Research and Statistics  
Mr. Egertson, Supervisory Review Examiner,  
Division of Examinations

1/ Joined meeting at point indicated in minutes.

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Report on competitive factors (Norfolk-Glade Spring, Virginia).

A report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of The Bank of Glade Spring, Glade Spring, Virginia, into Virginia National Bank, Norfolk, Virginia, was approved unanimously for transmittal to the Comptroller. The conclusion read as follows:

The Virginia National Bank, Norfolk, operates a branch only 12 miles from the office of The Bank of Glade Spring. Competition between these offices, however, has apparently been limited due to the close relationship existing between the managements of the two offices over the years. Consummation of the proposed merger would eliminate permanently any potential competition between the two institutions and further concentrate banking resources in Virginia.

Report on competitive factors (Wilkes-Barre-Bloomsburg, Pennsylvania). There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of Miners National Bank of Wilkes-Barre, Wilkes-Barre, Pennsylvania, and The Farmers National Bank of Bloomsburg, Bloomsburg, Pennsylvania.

During discussion Governor Mills observed that the merger would represent penetration by Miners National into an additional county - a fact that he considered important. A change in the wording of the conclusion to reflect that fact was agreed upon, after which the report was approved unanimously for transmittal to the Comptroller. The conclusion of the report, as approved, read as follows:

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There is no evidence of competition existing between Miners National Bank of Wilkes-Barre and The Farmers National Bank of Bloomsburg. Consummation of the proposed merger of these two banks would have virtually no effect on competition in Luzerne County where Miners National Bank is presently the largest bank headquartered therein, but entry of Miners National Bank into Columbia County would expose the remaining banks in Columbia County to competition from a substantially larger institution.

Chairman Martin then joined the meeting and Messrs. Shay and Egertson withdrew.

Topics for Federal Advisory Council (Item No. 1). There had been distributed a draft of letter to the Secretary of the Federal Advisory Council suggesting various topics for discussion at the meeting of the Council on November 16, 1964, and the joint meeting of the Board and the Council on November 17.

During discussion certain additional topics were agreed upon and changes were made in those that appeared in the draft, after which the letter was approved unanimously in the form attached as Item No. 1.

Reserve requirements. At today's meeting there was continuation of a discussion begun at the meeting on October 7, 1964, of the question whether or not part of the 1964 seasonal reserve needs should be met through a reduction of member bank reserve requirements. Distributed memoranda from Mr. Brill dated September 21 and October 6, 1964, had been supplemented by distribution of one dated October 27 presenting a projection of reserve needs based on the latest available information.

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The theme most frequently recurrent in today's discussion related to the relative merits of short-run as against long-term considerations, the latter having special reference to the need for an overhaul of the statutory provisions for reserves to be required of the commercial banking system and for gold certificate reserves that the Federal Reserve Banks were required to maintain. Comments were made regarding the probable pattern of reserve needs in the coming months, the formula and timing of possible changes in requirements that might produce the maximum benefit, the probable flow and use of any reserves so supplied, Congressional and public reaction that might be expected, alternative measures to which resort might be taken in the event of prolonged delays in obtaining legislative reforms, and philosophical principles involved. It was emphasized that any action that might be taken relating to reserve requirements should not be thought of as an isolated measure, but rather as part of an over-all package in which the several instruments of monetary policy would be used in combination. The general tenor was that this was not the time for action to reduce reserve requirements to meet seasonal needs.

Governor Mills, who had read a prepared statement during the October 7 discussion, today read a supplemental statement in which he set forth the reasons why he would not favor action at this time to reduce reserve requirements. Copies of both statements have been placed in the Board's files.

The meeting then adjourned.

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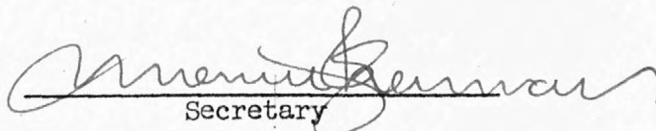
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Secretary's Notes: A letter was sent today to The Chase Manhattan Bank, New York, New York, granting an extension of time within which to establish an additional branch in San Juan, Puerto Rico. A copy of the letter is attached as Item No. 2.

Governor Shepardson today approved on behalf of the Board the following items:

Letter to the Federal Reserve Bank of Cleveland (attached Item No. 3) approving the designation of Patrick Cost as special assistant examiner.

Memorandum from the Division of International Finance recommending the appointment of Bette L. Robinson as Statistical Assistant in that Division, with basic annual salary at the rate of \$5,165, effective the date of entrance upon duty.

  
Secretary



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

3689

Item No. 1

10/29/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 29, 1964.

Mr. Herbert V. Prochnow, Secretary,  
Federal Advisory Council,  
c/o The First National Bank of Chicago,  
Chicago, Illinois 60690.

Dear Mr. Prochnow:

The Board of Governors suggests the following topics for discussion at the meeting of the Federal Advisory Council on November 16, 1964, and the joint meeting of the Board and the Council on November 17:

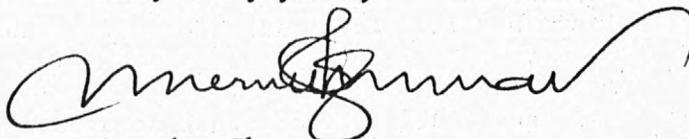
1. Economic conditions and prospects.
  - A. What is the general outlook for the U. S. economy over the next six months?
  - B. What are the views of the Council with respect to the probable impact on the economy of the second stage Federal tax reduction to take place in 1965?
  - C. Have there been significant changes with respect to plant utilization and/or production bottlenecks since the September meeting of the Council, or are there indications of developing problems in these areas?
2. Banking developments.
  - A. What is the Council's judgment as to business demands for bank financing during the latter part of 1964 and the first half of 1965?
  - B. Is there evidence of increasing use of bank credit to finance precautionary inventory accumulation? Of term loans to finance plant expansion?
  - C. Have the members of the Council noted any changes of more than seasonal proportions in the demand and time balances maintained by their larger corporate customers since midyear?

Mr. Herbert V. Prochnow

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- D. The Board would appreciate the current views of the Council as to prospects for issuance of short-term capital notes to secure loanable funds.
3. Are there any changes in banking legislation or regulations that are believed needed at this time in order to promote sounder, more progressive, or more efficient banking operations?
4. The Board would be glad to have the Council's evaluation of the current and prospective U. S. balance of payments problem, particularly the bank credit component.
5. Do the Council's views regarding the appropriateness of current monetary and credit policy accord with those expressed in the policy statement adopted by the ABA's 90th annual convention? What tendencies in the economy would the Council cite in support of its views in this matter? Specifically,
- A. What evidences, if any, do the members of the Council see of inflationary tendencies developing in the economy?
- B. What are the views of the Council as to price prospects for consumer goods, machinery and industrial equipment, and primary materials?

Very truly yours,



Merritt Sherman,  
Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 2  
10/29/64



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 29, 1964.

The Chase Manhattan Bank,  
1 Chase Manhattan Plaza,  
New York 5, New York.

Gentlemen:

Reference is made to your letter of September 30, 1964, referring to your letter of October 17, 1963 (received October 22, 1963), advising, pursuant to Regulation H, of your intention to establish an additional branch in San Juan, Puerto Rico, to be located in the New Port section of San Juan at the southwest corner of Franklin D. Roosevelt Avenue and Main Street. The Board's letter of November 18, 1963, acknowledged your letter of October 17, 1963, and stated that unless the branch is actually established and opened for business on or before December 1, 1964, it will be deemed that plans for its establishment have been abandoned, in which event authority to establish the branch under the notice furnished in your letter of October 17, 1963, will automatically terminate.

It is noted from your letter of September 30, 1964, that, according to your best estimate, it now appears that the branch cannot be opened for business until on or about August 31, 1965. Accordingly, the Board extends to December 1, 1965, the date specified in line 2 of paragraph 2 of the Board's letter of November 18, 1963.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

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Item No. 3  
10/29/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 30, 1964

Mr. H. W. Huning, Vice President,  
Federal Reserve Bank of Cleveland,  
Cleveland, Ohio. 44101

Dear Mr. Huning:

In accordance with the request contained in your letter of October 26, 1964, the Board approves the designation of Patrick Cost as a Special Assistant Examiner for the Federal Reserve Bank of Cleveland for the purpose of participating in examinations of State member banks.

The authorization heretofore given your Bank to designate Mr. Cost as a Special Assistant Examiner is hereby canceled.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael  
Assistant Secretary.