

7609

Minutes for February 12, 1965

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.

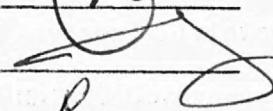
It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

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



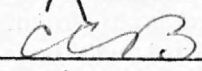
Gov. Mills



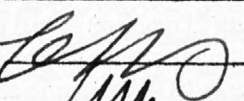
Gov. Robertson



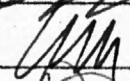
Gov. Balderston



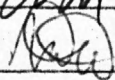
Gov. Shepardson



Gov. Mitchell



Gov. Daane



Minutes of the Board of Governors of the Federal Reserve System on Friday, February 12, 1965. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Broida, Assistant Secretary
Mr. Young, Adviser to the Board and Director,
Division of International Finance
Mr. Noyes, Adviser to the Board
Mr. Molony, Assistant to the Board
Mr. Cardon, Legislative Counsel
Mr. Fauver, Assistant to the Board
Mr. Brill, Director, Division of Research and
Statistics
Mr. Solomon, Director, Division of Examinations
Mr. Holland, Associate Director, Division of
Research and Statistics
Mr. Koch, Associate Director, Division of
Research and Statistics
Mr. Partee, Adviser, Division of Research and
Statistics
Mr. Solomon, Adviser, Division of Research and
Statistics
Mr. Katz, Adviser, Division of International
Finance
Mr. Sammons, Adviser, Division of International
Finance
Mr. Axilrod, Chief, Government Finance Section,
Division of Research and Statistics
Mr. Eckert, Chief, Banking Section, Division of
Research and Statistics
Mr. Keir, Chief, Capital Markets Section, Division
of Research and Statistics
Mr. Baker, Economist, Division of International
Finance
Mr. Furth, Consultant

1/ Withdrew from meeting at point indicated in minutes.

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Money market review. Mr. Axilrod commented on developments in the Government securities market, with emphasis on recent and prospective short- and long-term interest rate movements, after which Mr. Baker reviewed foreign exchange market developments and related matters. Tables were distributed affording perspective on the money market and on bank reserve utilization.

After discussion based on the foregoing comments, Governor Mills and all members of the staff who had been present except Messrs. Sherman, Kenyon, Noyes, Molony, Cardon, and Solomon (Examinations) withdrew and the following entered the room:

Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank Operations
Mr. Shay, Assistant General Counsel
Mr. Daniels, Assistant Director, Division of Bank Operations
Mr. Young, Senior Attorney, Legal Division
Mr. Egertson, Supervisory Review Examiner, Division of Examinations
Mr. Ring, Technical Assistant, Division of Bank Operations
Mr. Shuter, Attorney, Legal Division

Discount rates. The establishment without change by the following Federal Reserve Banks on February 11, 1965, 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: Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, and Dallas.

Distributed items. After discussion the following items, copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

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	<u>Item No.</u>
Letter to Trade Bank and Trust Company, New York, New York, approving the establishment of a branch at 515 Seventh Avenue, Borough of Manhattan, in connection with the removal of the bank's main office to another location.	1
Letter to the Bureau of the Budget regarding a draft bill proposed by the Department of Justice to amend the Expediting Act.	2

Report on competitive factors (Rumford-Rangeley, Maine).

Unanimous approval was given to the transmittal to the Federal Deposit Insurance Corporation of a report on the competitive factors involved in the proposed purchase of assets and assumption of liabilities of Rangeley Trust Company, Rangeley, Maine, by Rumford Bank and Trust Company, Rumford, Maine. The conclusion stated that the proposed transaction would not have adverse competitive effects.

Application of United California Bank (Items 3 and 4). After discussion during which a minor change was agreed upon in the draft statement that had been distributed, the Board authorized the issuance of an order and statement reflecting its decision on February 3, 1965, to approve the application of United California Bank, Los Angeles, California, for permission to merge with Bank of Mt. Shasta, Mount Shasta, California. Copies of the order and statement, as issued, are attached as Items 3 and 4.

Report on coin situation (Item No. 5). There had been distributed a draft of letter to Chairman Fascell on the Legal and Monetary Affairs

2/12/65

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Subcommittee of the House Committee on Government Operations in response to his letter of January 22, 1965, requesting views and comments on various matters relating to the coin shortage.

The only part of the draft to be questioned was the proposed answer to the inquiry whether any official consideration had been given to requiring member banks to report to the System the amounts and denominations of coin held by them and counted as part of their reserves. One view expressed was that it would be preferable simply to let the answer reflect the unanimous opinion of the Reserve Bank Presidents that the requiring of such reports would be undesirable, without detailed explanation of the reasons for this opinion. Another view leaned toward including an explanation of the reasoning that led the Presidents to take a negative position, and the Board to concur in the opinion of the Presidents; while the draft answer had attempted to do this, it was felt that the reasons had not been developed too effectively. A requirement for reports, it was pointed out, might have the effect of causing member banks to reduce their return shipments to the Reserve Banks, out of apprehension that the call for reports presaged further rationing by the Reserve Banks. At the conclusion of the discussion, general agreement was reached on an approach that took into account elements of the various views that had been expressed. Accordingly, approval was given to the sending of a letter to Chairman Fascell in the form attached as Item No. 5.

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The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board the following items:

Memorandum from the Division of Research and Statistics dated February 5, 1965, recommending the appointment of George R. Hall, Logistics Department, The Rand Corporation, Santa Monica, California, as Consultant in that Division on a temporary contractual basis effective to December 31, 1965, with compensation at the rate of \$60 per day and necessary travel to be handled in accordance with the Board's travel regulations.

Memorandum from the Division of Research and Statistics dated February 5, 1965, recommending the reappointment of Charles F. Phillips, Jr., Associate Professor of Economics, Washington and Lee University, Lexington, Virginia, as Consultant in that Division on a temporary contractual basis effective to December 31, 1965, with compensation at the rate of \$60 per day and necessary travel to be handled in accordance with the Board's travel regulations.

Memoranda recommending the following actions relating to the Board's staff:

Salary increases

J. William Via, Jr., Senior Attorney, Legal Division, from \$10,250 to \$11,315 per annum, effective February 14, 1965.

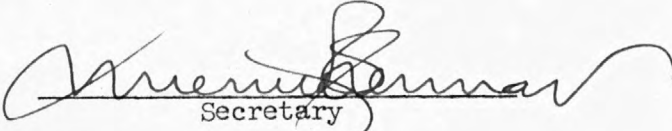
Charles W. Bryson, Economist, Division of Research and Statistics, from \$7,955 to \$8,650 per annum, effective February 14, 1965.

Permission to engage in outside activity

M. H. Schwartz, Director, Division of Data Processing, to conduct an orientation class for the staff of Resources for the Future.

Acceptance of resignation

Ann C. Tompros, Secretary, Division of Examinations, effective at the close of business March 3, 1965.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1
2/12/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 12, 1965.

Board of Directors,
Trade Bank and Trust Company,
New York, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of an in-town branch by Trade Bank and Trust Company at 515 Seventh Avenue, Borough of Manhattan, in connection with the removal of its head office from that address to 594 Fifth Avenue, Borough of Manhattan, New York. This approval expires six months from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

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Item No. 2
2/12/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 12, 1965.

Mr. Phillip S. Hughes,
Assistant Director for
Legislative Reference,
Bureau of the Budget,
Washington, D. C. 20503

Dear Mr. Hughes:

This is in response to your legislative referral memorandum of January 12, 1965, requesting the views of the Board on a draft bill proposed by the Department of Justice "To amend section 2 of the Act of February 11, 1903 (32 Stat. 1823, as amended, 15 U.S.C. 29, 49 U.S.C. 45), commonly known as the Expediting Act." It is understood that the Expediting Act was originally enacted to reduce the time consumed in the Federal courts in consideration of antitrust and interstate commerce cases and to encourage development of uniform interpretation of cases in these areas by exclusive appeal to the Supreme Court.

Apparently, in recent years the procedure for uniform construction of these antitrust and interstate commerce statutes has greatly increased the burden on the Supreme Court, although the necessity for exclusive appeal in every case has declined. The proposed amendment seeks to relieve the Court of a portion of its present burden by restricting the right of exclusive appeal to those cases involving matters of national importance. The Board favors this objective if it can be achieved without impairing the fundamental rights of litigants. However, the instant proposal involves technical procedural matters in the administration of justice that appear to be beyond the sphere of the Board's primary responsibilities and expertise, and the Board has no comments to offer on its specific provisions.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Item No. 3
2/12/65

UNITED STATES OF AMERICA
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D. C.

In the Matter of the Application of
UNITED CALIFORNIA BANK
for approval of merger with
Bank of Mt. Shasta

ORDER APPROVING MERGER OF BANKS

There has come before the Board of Governors, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), an application by United California Bank, Los Angeles, California, a State member bank of the Federal Reserve System, for the Board's prior approval of the merger of that bank and Bank of Mt. Shasta, Mount Shasta, California, under the charter and title of United California Bank. As an incident to the merger, the only office of Bank of Mt. Shasta would become a branch of the resulting bank. Notice of the proposed merger, in form approved by the Board, has been published pursuant to said Act.

Upon consideration of all relevant material in the light of the factors set forth in said Act, including reports furnished by the Comptroller of the Currency, the Federal Deposit Insurance Corporation,

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and the Department of Justice on the competitive factors involved in the proposed merger,

IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date, that said application be and hereby is approved, provided that said merger shall not be consummated (a) within seven calendar days after the date of this Order or (b) later than three months after said date.

Dated at Washington, D. C., this 12th day of February, 1965.

By order of the Board of Governors.

Voting for this action: Chairman Martin, and
Governors Mills, Robertson, Mitchell, and Daane.

Absent and not voting: Governors Balderston
and Shepardson.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
APPLICATION OF UNITED CALIFORNIA BANK
FOR APPROVAL OF MERGER WITH
BANK OF MT. SHASTA

Item No. 4
2/12/65

STATEMENT

United California Bank, Los Angeles, California ("United California"), with total deposits of about \$2.6 billion, has applied, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), for the Board's prior approval of the merger of that bank and Bank of Mt. Shasta, Mount Shasta, California ("Mt. Shasta Bank"), with total deposits of about \$4 million.^{1/} The banks would merge under the charter and name of United California, a State member bank of the Federal Reserve System. As an incident to the merger, United California would establish a branch at the present location of Mt. Shasta Bank, increasing to 175 the number of offices operated by United California.

Under the Act, the Board is required to consider, as to each of the banks involved, (1) its financial history and condition, (2) the adequacy of its capital structure, (3) its future earnings prospects, (4) the general character of its management, (5) whether its corporate powers are consistent with the purposes of 12 U.S.C., Ch. 16 (the Federal

^{1/} Deposit figures are as of June 30, 1964.

Deposit Insurance Act), (6) the convenience and needs of the community to be served, and (7) the effect of the transaction on competition (including any tendency toward monopoly). The Board may not approve the transaction unless, after considering all these factors, it finds the transaction to be in the public interest.

Banking factors. - United California (a subsidiary of Western Bancorporation, Los Angeles, California, a registered bank holding company) and Mt. Shasta Bank have satisfactory financial histories. The asset condition of United California is satisfactory, its capital structure is reasonably adequate, and its future earnings prospects are satisfactory. These attributes would be true also of the resulting bank, which would be under the competent management of United California.

Mt. Shasta Bank's asset condition and capital structure are satisfactory, and its future earnings prospects are favorable. The bank, however, has had serious difficulty in retaining persons qualified to supervise its operations. This difficulty is not likely to diminish. The bank follows the ultraconservative policies of its president, a man well past normal retirement age. Because he is the majority stockholder, the president dominates the bank, but he is frequently opposed by a director who is the second largest stockholder. The bank's restrictive lending policies have created widespread resentment and dissatisfaction on the part of the local business community. The fact of control, the type of control, and the lack of harmony indicate that Mt. Shasta Bank

would have considerable difficulty in recruiting and retaining capable officers. Effectuation of the proposed transaction would solve these problems at Mt. Shasta Bank.

There is no indication that the corporate powers of the banks involved are, or would be, inconsistent with 12 U.S.C., Ch. 16.

Convenience and needs of the communities. - United California, the fifth largest bank in California in terms of deposits, has offices in 34 counties. Consummation of the merger would have no appreciable effect on the convenience and needs of the communities now served by United California.

The town of Mount Shasta is located in Siskiyou County, about 300 miles north of San Francisco. The population of the county is estimated to be somewhat over 34,000. Mount Shasta has a population of about 2,500, with an additional 1,500 persons in the immediate surroundings. The economy of the area is based primarily on lumbering, although there is a limited amount of dairying and livestock raising. The town also attracts a large segment of the year-round tourist trade, which has increased in recent years and is expected to continue.

Mt. Shasta Bank, as indicated above, has followed restrictive policies. Ninety per cent of its investment account consists of United States Government obligations, which comprise 47 per cent of the bank's total assets. About 35 per cent of the bank's total assets are in loans, and 85 per cent of these are conventional real estate loans. Commercial

and industrial loans make up only three per cent of the total. The bank makes no FHA or VA loans, nor does it engage in floor-plan lending for automobile or consumer-goods dealers, or in construction financing for industrial and residential developers. In the last four years, total loans at Mt. Shasta Bank have increased by less than one per cent, while the other three banking offices in the area have shown growth in total loans of 48 per cent, 62 per cent, and 77 per cent.

In addition to Mt. Shasta Bank, the area is served by two branches of Bank of America National Trust & Savings Association, one located at Dunsmuir, 9 miles south of Mount Shasta, and the other at McCloud, 12 miles southeast of Mount Shasta, and by a branch of United California located at Weed, 10 miles north of Mount Shasta. While a full range of banking services is available at these locations, consummation of the proposal would provide such services in the town of Mount Shasta.

Competition. - The service area^{2/} of Mt. Shasta Bank and that of the Weed office of United California overlap to a small degree, and such competition as exists between them would be eliminated by the proposed merger. At the same time, Bank of America, the only other bank that would be affected, for the first time would have a strong competitor at Mount Shasta, which is showing steady growth and is becoming the center of trade for surrounding communities.

^{2/} The area from which a bank derives 75 per cent or more of its deposits of individuals, partnerships, and corporations.

If effected, the proposal would result in an increase in the concentration of California's banking resources in a few large banks. United California's position, however, would remain relatively unchanged, since Mt. Shasta Bank's deposits represent only a minimal amount of the total deposits in the State.

Summary and conclusion. - The merger of United California and Mt. Shasta Bank would result in the elimination of some present and potential competition between the two banks, and would increase banking concentration in the State, although minutely. However, there would be substituted in Mount Shasta a bank offering full banking services for the ultraconservative Mt. Shasta Bank, which has not served the needs of the Mount Shasta community in accordance with the bank's capability. Consummation of the proposal also would solve the serious difficulty of Mt. Shasta Bank in retaining qualified officers. These positive benefits to the public in the growing Mount Shasta area would more than offset any adverse effects of the transaction.

Accordingly, the Board finds the proposed merger to be in the public interest.

February 12, 1965.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

511
Item No. 5
2/12/65

OFFICE OF THE CHAIRMAN

February 12, 1965.

The Honorable Dante B. Fascell, Chairman,
Legal and Monetary Affairs Subcommittee
of the Committee on Government Operations,
House of Representatives,
Washington, D. C. 20515.

Dear Mr. Chairman:

This refers to your letter of January 22, 1965, requesting views and comments on various matters relating to the coin shortage.

A copy of your letter was sent to the President of each Federal Reserve Bank and copies of their individual replies are furnished herewith. The following summary comments regarding the specific matters mentioned in your letter are based largely on the information submitted by the Reserve Banks.

1. The present coin-availability situation, the indications of future availability as reflected by "flowbacks" or other criteria, and the effect on coin supply the Treasury's crash program has had, or can be expected to have, as indicated by the Federal Reserve System's operations.

The Treasury's massive production program not only prevented the coin shortage from getting much worse but appears, in the light of recent evidence, to be making some progress in improving the flowback of coins from circulation. For instance, most of the Reserve Banks reported that recently they have been able to fill orders for cents as requested, and in some cases have eased their rationing of other denominations.

The Kennedy Halves are an exception to the improving picture. Although more than 200 million of these coins have been produced, there is still no significant use of them as a circulating medium and almost none are being returned to the Reserve Banks.

While coin receipts from circulation, particularly cents, are showing some signs of improvement, the flowback is still far from what it should be at this time of the year to permit the Reserve Banks to build up adequate inventories to meet seasonal

The Honorable Dante B. Fascell -2-

needs later on. For example, as may be noted from the following table, the return flow in January 1965 was little more than half that of January 1964, which was even then far below normal, and only about one-third as much as in January 1963.

Coins Received From Circulation
By All Federal Reserve Banks and Branches
(Millions of Pieces)

	<u>Receipts</u>			January 1965 as a per cent of--	
	<u>Jan. 1965</u>	<u>Jan. 1964</u>	<u>Jan. 1963</u>	<u>Jan. 1964</u>	<u>Jan. 1963</u>
Total--					
All denominations	345.3	658.5	1,013.1	52	34
Cents	131.7	102.2	231.8	129	57
Nickels	46.0	100.0	222.8	46	21
Dimes	133.2	290.7	341.1	46	39
Quarters	33.3	142.2	190.0	23	18
Halves	1.1	23.4	27.4	5	4

2. The steps taken by the Federal Reserve Board and the Federal Reserve Banks since the Subcommittee's hearings in July, 1964, to assist in alleviating the coin shortage.

As a deterrent to hoarding for speculative purposes, the Board urged legislation, subsequently enacted as Public Law 88-580, to authorize the Mint to continue the 1964 date on all coins until adequate supplies are available.

The Reserve Banks have amended their operating procedures so that they now stand willing to pay transportation costs on shipments of coin from nonmember banks and to accept deposits of wrapped coin. There are no indications, however, that these changes have resulted in any significant increase in receipts from circulation.

In addition, as a step toward minimizing the opportunity for Mint-sealed bags of new coin to come into the hands of hoarders and speculators, the Reserve Banks have uniformly adopted the practice of rebagging all coin received from the Mint and, where

The Honorable Dante B. Fascell -3-

Practicable, mixing some circulated coin with new coin and putting the coin into bags containing smaller amounts than the uniform Mint bags.

As indicated by the accompanying comments from the individual Banks, various other steps have been taken including letters, published articles, meetings, and personal contacts with bankers and others calling attention to the shortage and urging cooperation in seeing that coin is paid out only for use as a medium of exchange and that excess coin is returned to normal channels of circulation.

3. The extent to which Federal Reserve Banks are rationing coin, and the bases on which rationed.

And

4. What, if anything, the Federal Reserve System does to determine the actual coin needs of members, and to assure the fair and equitable distribution of available coin.

Possibly because of the seasonal flowback, several of the Reserve Banks have found it possible in recent weeks to discontinue rationing of pennies and to pay in full the amounts requested. With few other minor exceptions, the rationing procedures remain as outlined in the information previously sent to your Committee with the Board's letter of July 30, 1964.

The Reserve Banks continue to believe that the judgment and experience of their coin officers provide the best basis for determining the actual coin needs of member banks and for assuring the fair and equitable distribution of available coin. In addition to records extending back over several years, these officers have the benefit of frequent telephone conversations with member banks during which current inventories, seasonal needs, and other such factors are discussed and evaluated.

5. What records are maintained by the Federal Reserve System with reference to coin distribution.

The Federal Reserve Banks keep copies of invoices or other records showing the dates and amounts (by denomination) of all coin receipts and payments.

The Honorable Dante B. Fascell

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In order to keep abreast of the coin situation in the country as a whole, the Board's staff has maintained a chart of Reserve Bank coin receipts, payments, and inventory since January 1963. A copy of the chart, showing monthly data through January 1965, is attached.

6. Whether any official consideration has been given to requiring members to report to the System the amounts and denominations of coin they hold and count as part of their reserves under the Vault Cash Act.

The System officials most directly involved have concluded that such reports would serve no useful purpose; in fact, a request for reports of this nature would almost surely worsen the situation. The Board concurs in this view.

One of the main objections to this procedure is the difficulty of evaluating such information. Before inventory figures could be meaningful, it would be necessary to develop standards to judge such other factors as justifiable holdings, payment demands, seasonal variations, etc. In other words, required reports of this nature would have to be supplemented by much of the same kind of information that is now being obtained, where the situation seems to warrant it, on a cooperative basis.

The Board feels that this cooperation might not be so readily forthcoming in the light of the "policing" atmosphere that would inevitably accompany a requirement for inventory reports. A request for such reports would quite likely be interpreted by the banks and the public as a step toward tighter rationing procedures and, hence, as a sign that shortages were about to become worse rather than better. This consideration would seem to be especially important now in view of the Treasury's current massive production program. That program is based on the premise that the most effective way to cure the coin shortage is to produce coin enough to meet all demands, with the hope that hoarding will be minimized if everyone knows he can get all the coin he wants from his bank, and banks in turn know they can have their demands met by the Reserve Banks. Thus, substantial inventories at member banks are an inherent part of the program. Accordingly, the Board believes that any suggestion of policing these inventories at this time would do more harm than good.

The Honorable Dante B. Fascell -5-

7. The extent to which the silver futures market may be affecting coin and silver supplies.

Generally speaking, neither the Board nor the Federal Reserve Banks are familiar enough with the silver futures market to arrive at firm conclusions with regard to how this market may be affecting coin and silver supplies; however, some of the Reserve Banks have included in their replies comments on this matter that may be helpful.

Some of the coin shortage undoubtedly stems from purchases of silver coins for speculation in an effort to profit from a hoped-for substantial rise in the market price of silver. The extent of this kind of hoarding cannot be measured, and it is one of the principal factors that make it impossible now to determine coin needs for the near future.

8. Other matters which were raised in the Subcommittee's hearings, including efforts made towards obtaining better measurements of future coin needs, the extent and effect of coin hoarding and speculation and changes in distribution patterns which delay or prevent coin from returning to banks for normal recirculation.

The numerous advertisements in numismatic publications and other evidence indicates that there is widespread coin hoarding and speculation, but there is not enough information to judge the extent and precise effect of these practices on the coin shortage.

The experience of the Reserve Banks indicates that there have been substantial changes in the distribution patterns, and that some of these changes delay or prevent coin from returning to banks for normal recirculation. On the other hand, there is evidence that some of the new patterns, such as banks exchanging coin among themselves and paying a premium for coin, have been effective in preventing the coin shortage from having a more serious effect on business transactions. In our free economy, we can expect that the need to satisfy customer demand will lead banks and other business enterprises to find new methods of stretching available coin supplies, even though these methods are costly. However, because of the higher costs involved, it is more than likely that the distortion in distribution patterns will disappear when the coin shortage is cured.

The Honorable Dante B. Fascell -6-

These many imponderables, complicated further by uncertainties as to what will be done about the use of silver in future coins, lead to the view shared by all Reserve Bank Presidents that better measurements of future coin needs are presently impossible, and that for the time being the only solution to the problem lies in the continued production of coin by the Mints at full capacity. Nevertheless, it is recognized that there will be a need to determine in advance when this production may be tapered off, and preliminary discussions have been had with representatives of the Treasury with the thought of developing a better procedure for estimating future requirements once the existing uncertainties are removed to an extent that will make meaningful estimates possible.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Enclosures.

FEDERAL RESERVE BANK COIN RECEIPTS, PAYMENTS, AND INVENTORY

JANUARY 1, 1963 - JANUARY 31, 1965

Millions of pieces

