

Minutes for June 24, 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

W

Gov. Robertson

Gov. Balderston

CCB

Gov. Shepardson

[Signature]

Gov. Mitchell

[Signature]

Gov. Daane

[Signature]

Gov. Maisel

SJM

Minutes of the Board of Governors of the Federal Reserve System  
on Thursday, June 24, 1965. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman  
Mr. Robertson  
Mr. Shepardson  
Mr. Mitchell  
Mr. Daane  
Mr. Maisel

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Noyes, Adviser to the Board  
Mr. Molony, Assistant to the Board  
Mr. Hackley, General Counsel  
Mr. Brill, Director, Division of Research and  
Statistics  
Mr. Farrell, Director, Division of Bank  
Operations  
Mr. Solomon, Director, Division of Examinations  
Mr. Kelleher, Director, Division of Administrative  
Services  
Mr. Kakalec, Controller  
Mr. Shay, Assistant General Counsel  
Mr. Koch, Associate Director, Division of Research  
and Statistics  
Mr. Dembitz, Associate Adviser, Division of  
Research and Statistics  
Mr. Sammons, Adviser, Division of International  
Finance  
Mr. Smith, Assistant Director, Division of  
Examinations  
Mrs. Semia, Technical Assistant, Office of the  
Secretary  
Mr. Eckert, Chief, Banking Section, Division of  
Research and Statistics  
Mr. Keir, Chief, Capital Markets Section, Division  
of Research and Statistics  
Miss Dingle and Messrs. Shull and Smith, Senior  
Economists, Division of Research and Statistics  
Mrs. Sette, Chief, Economic Editing, Division of  
Research and Statistics  
Mr. McClintock, Supervisory Review Examiner, Division  
of Examinations  
Miss Hulen, Chief, Publications Services, Division  
of Administrative Services

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Report on competitive factors (Pottsville-Schuylkill Haven, Pennsylvania). After discussion, a report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of Pennsylvania National Bank and Trust Company, Pottsville, Pennsylvania, and The First National Bank and Trust Company, Schuylkill Haven, Pennsylvania, was approved unanimously for transmittal to the Comptroller in a form in which the conclusion was stated as follows:

Consummation of the proposed merger of Pennsylvania National Bank and Trust Company, Pottsville, and The First National Bank and Trust Company of Schuylkill Haven would eliminate competition presently existing between the two banks and would expose the remaining bank in Schuylkill Haven to the competitive capabilities of a substantially larger institution. The effects of the proposal on competition would be adverse.

Report on competitive factors (Pittsburgh-Arnold, Pennsylvania). A revision of the proposed conclusion having been agreed upon, unanimous approval was given to the transmittal to the Comptroller of the Currency of a report on the competitive factors involved in the proposed merger of The National Deposit Bank of Arnold, Arnold, Pennsylvania, into Western Pennsylvania National Bank, Pittsburgh, Pennsylvania, in a form in which the conclusion read as follows:

There is no significant competition between The National Deposit Bank of Arnold, Arnold, Pennsylvania, and Western Pennsylvania National Bank, Pittsburgh, Pennsylvania. The proposed merger is in an area now served by three of the four largest banks in Western Pennsylvania and by two small banks. The effect is to substitute a larger bank for a small one in the Arnold area.

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Report on competitive factors (Michigan City-Westville, Indiana).

A report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed purchase of assets and assumption of liabilities of State Bank of Westville, Westville, Indiana, by Citizens Bank of Michigan City, Indiana, Michigan City, Indiana, was approved unanimously for transmittal to the Corporation. The conclusion read as follows:

The proposed acquisition of assets and assumption of liabilities of State Bank of Westville by Citizens Bank of Michigan City, Indiana, would eliminate a unit bank and the small amount of direct competition existing between the participating banks. The effects of the transaction on banking competition in the areas involved would not be significantly adverse.

Messrs. Shay and McClintock then withdrew from the meeting.

Survey of bank lending practices (Item No. 1). On August 19, 1964, the Board authorized an experimental quarterly survey, to be conducted for one year, of changes in bank practices regarding the terms and conditions specified on loans to business borrowers, including finance companies. Initial coverage was limited to about 80 large banks that participated in the existing quarterly interest rate survey, but the intention was to move toward a broader and more representative sample as soon as practicable.

There had now been distributed a draft of letter to the Presidents of all Federal Reserve Banks transmitting a form of questionnaire for the purpose of extending the coverage of the survey to a number of smaller

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banks for one test before the expiration of the authorized experimental period. Attached was a suggested draft of letter from Reserve Banks to the banks that were to be asked to participate in the expanded survey.

Mr. Brill commented that the responses to the broadened survey should provide some basis for judging whether the questionnaire was unduly burdensome to smaller banks and for planning the framework of a possible continuing survey that would include small as well as large banks.

In response to questions from Governor Mitchell the staff indicated that the proposed one-time survey would cover some 720 banks ranging down to the smaller size brackets.

Governor Mitchell expressed doubt that the survey would produce reliable information. It called for information as to the course of a bank's lending policy for the preceding full year. In a large bank a shift in policy probably would be indicated in written instructions from top management to the lending officers, but informality of procedures increased as bank size decreased. In a small bank the information called for by the survey would depend upon personal recollection and subjective judgment. He felt that a year was too long to ask a bank officer to recall when changes in practice had taken place and that the proposed questionnaire might produce misleading results.

Governor Daane commented that although meaningful answers might be elicited from large banks, he doubted that the survey would get them from the smaller banks.

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Governor Maisel remarked that it appeared to him that the proposed questionnaire was faulty in that it lacked definition of "firmer" or "easier" lending policies.

The staff brought out that although the proposed survey called for qualitative information only, it was thought that this would at least give some feeling of the direction of lending policies. Moreover, it was an easy and inexpensive approach, whereas a survey in quantitative terms would be costly and time consuming. The need for information was great, and if the purpose could not be served by the proposed method the staff would probably want to recommend more elaborate reports, which would present difficulty for respondents and for processing. Inquiry was made as to the feasibility of obtaining information through telephone interviews, in response to which the staff pointed out practical difficulties that tended to distort results unless such surveys were conducted with great care.

At the end of the discussion it was understood that Governor Mitchell would work with the staff on changes in the questionnaire to meet the principal objections he had expressed.

Secretary's Note: At the meeting on June 25, 1965, a revised form of questionnaire was distributed and was approved unanimously for use on a one-time basis for experimental purposes. A copy of the letter sent to the Federal Reserve Banks is attached as Item No. 1.

Mr. Eckert then withdrew from the meeting.

Publication and distribution of research papers (Item No. 2).

There had been distributed a memorandum dated June 22, 1965, from the

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Editorial Committee (attached Item No. 2) recommending procedures and policies for publication and distribution of research papers.

A problem harmful to staff morale and to the professional standing of the System was said to have arisen in that much economic research done in the System was lost to economists and to the public generally because the results were not published or, if published, were not published promptly or effectively distributed. The Committee recommended that a new section be established in the Federal Reserve Bulletin to be called "Staff Economic Studies." This would contain short summaries of papers recently completed at the Board or at the Reserve Banks that were of a quality and scope worth wider notice. The section would include an indication that mimeographed copies of the full papers were available on request and without charge.

It was recommended also that a committee be established, to include Board staff and possibly some from the Reserve Banks, to receive all manuscripts proposed for consideration in the new Bulletin section and to decide which of the papers should be listed and summarized. Preliminary work would be done by ad hoc reading committees, selected from Board and/or Reserve Bank staffs; they would certify that individual papers were respectable professionally and that the summary to be printed in the Bulletin was a reasonably accurate description of the paper's scope and main findings. The ad hoc reading committee would also recommend whether the paper should be considered for publication in full, either in

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the Bulletin or as a separate pamphlet (or with other papers in a combined pamphlet). However, authors would be free to choose submission of a paper to one of the professional journals or to Federal Reserve Bank Reviews in preference to publication by the Board in the Bulletin or in a pamphlet. Decisions as to which of the recommended papers should be printed in full in the Bulletin and which in pamphlets would rest with the Board's Editorial Committee.

The memorandum, which described other details of the recommended procedures and various aspects of the problem for which a solution was sought, indicated that because of the workload in the Board's printing section it would often be necessary to have pamphlets printed outside in order to expedite publication. It was hoped that one or more such pamphlets, not provided for in the 1965 budget, would be available for publication this year. The Board's approval was requested for publishing such pamphlets, if the papers were deemed of sufficient merit, with the understanding that any overexpenditure in the 1965 budget would be brought to the Board for specific approval when costs were known.

After comments by Mr. Brill in explanation of the recommendations, Governor Daane expressed general agreement with the objectives of the proposed program. He was not sure whether the proposed procedures were the best, but he would support experimentation with them.

Governor Mitchell expressed agreement with the publication of summaries in the Bulletin. However, he had misgivings about an indication

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in the memorandum that staff papers published in the Bulletin would be subject to the regular review and editing given all Bulletin materials, because he feared that such editing would delay publication unduly.

Mr. Noyes responded that the purpose had been to assure the Board that papers would not be published in the Bulletin without a review by the Editorial Committee according to broad standards of appropriateness. That would not be a matter of detailed editing.

Governor Daane suggested that what was really needed was an additional publication that would not have the limitations inherent in the official character of the Bulletin -- a publication of greater informality and of academic quality, with papers in much the condition in which their authors produced them. The emphasis, he believed, should be on getting material into the hands of professional people quickly rather than going through the fine editing process that caused so much delay.

Governor Maisel commented that making mimeographed papers available would serve part of the purpose. In his experience, it was typical that there might be a substantial delay before a paper was published formally, but in the meantime mimeographed copies were used widely. He questioned whether there would be a sufficient supply of high-quality papers available on a continuing basis for a periodical such as Governor Daane had suggested.

Staff comments reflected the view that there probably would be a continuing supply to sustain such a publication, and that there had been some preliminary staff discussions regarding such a periodical.

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Chairman Martin suggested that before exploring the possibility in detail it might be well to gain some experience with the new program for handling research papers that had been recommended by the Editorial Committee, and there appeared to be general agreement with this comment.

Governor Mitchell expressed some concern as to whether allowing authors the choice of having their papers appear in the Board's publications or of offering them to the professional journals might result in having papers of lesser quality published by the Board. The author who had an option might elect to seek the prestige of publication in one of the professional journals if he thought his work would be accepted; yet if the paper had been written as part of the author's work as an employee of the Federal Reserve, it might be said that the System should have first claim to it.

Mr. Noyes doubted whether there would be great danger on that score. The author of a paper might well prefer to have it published in the Bulletin, even with some modest delay, rather than to seek publication in a professional journal with a delay that could be much longer even if the paper was accepted.

After further discussion the recommendations of the Editorial Committee were approved unanimously as a basis for experimentation.

Pricing and distribution policies for special publications (Item No. 3). At the meeting on May 12, 1965, the Board requested the staff to develop recommendations for a policy of pricing and distributing

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special publications of the Board. Such recommendations were set forth in a distributed memorandum of June 22, 1965, from Messrs. Brill, Kelleher, and Kakalec (copy attached as Item No. 3).

After discussion the recommendations contained in the memorandum were approved unanimously. It was understood that a letter on this subject would be sent to the Federal Reserve Banks for their information.

Messrs. Kelleher and Smith (Senior Economist), Mrs. Sette, and Miss Hulén then withdrew from the meeting.

Study of credit quality (Item No. 4). At the meeting on March 15, 1965, reference had been made to a request from the National Bureau of Economic Research for assistance in proposed studies on measuring the quality of credit. There had now been distributed a memorandum dated June 21, 1965, in which Mr. Brill described the framework of the proposed studies and the specific terms of the Bureau's request for assistance.

The memorandum indicated that the Bureau proposed to compile and publish a Statistical Compendium on Credit Quality, the purpose being to bring together in a single volume a variety of statistical series relating to the quality of credit. The presentation of these data, along with explanatory notes in a convenient form, would be designed to facilitate and thus to encourage further studies of fluctuations in credit quality and of their cyclical incidence and significance for the economy. The Bureau requested the help of the Board's staff in refining and extending certain statistical series and in reviewing plans for presentation of the data, and also requested a contribution of \$30,000 to the cost of the project,

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estimated at \$54,000. (Bankers Trust Company, New York, New York, would contribute \$10,000 in the form of services of an economist to be lent to the Bureau, and the Bureau would provide the remaining \$14,000 out of its general funds.)

In evaluating such a project, the memorandum continued, the advantage to scholars of having readily available a body of consistent statistical time series on the subject must be weighed against the risk that such a compendium would suggest to readers that analysis of a limited number of statistical series was a sufficient basis for judging trends in credit quality. Studies now in process by the Board's staff emphasized the need for obtaining information on a great number of the dimensions of a credit transaction in order to assess quality change. An appendix to the memorandum described the work under way within the Board's organization in developing information on quality in the areas of bank credit, consumer credit, real estate credit, and agricultural credit. Nevertheless, the compendium being developed by the National Bureau might prove quite useful. Moreover, as the Board's work continued, its staff would be in a position to influence the National Bureau's selection of statistical measures. It was recommended, therefore, that the Board approve the proposal to provide both substantive and financial assistance to the National Bureau.

Mr. Brill made introductory comments, after which Governor Mitchell expressed concern as to whether assisting the Bureau might not give the impression that the Board agreed with the approach being taken

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in the Bureau's study. His own preference was for the approach being used in the studies the Board's staff had under way, as described in Mr. Brill's memorandum.

The ensuing discussion confirmed that members of the Board and the staff had reservations as to the methods to be followed in the National Bureau's study. However, with the need for research in this particular considered so vital, it was thought desirable to encourage any serious effort to improve understanding. Further, the assistance to be rendered by the Board's staff would provide an opportunity to keep informed on the conduct of the study.

At the conclusion of the discussion compliance with the National Bureau's request for substantive and financial assistance was authorized. For that purpose the Board approved the overexpenditure in the pertinent budget account of the Division of Research and Statistics that would be caused by the contribution of \$30,000 to the Bureau. A copy of the letter in which the National Bureau was informed of the Board's action is attached as Item No. 4.

Mr. Kakalec then withdrew from the meeting.

Study of the discount mechanism. There had been distributed a memorandum dated April 21, 1965, from Mr. Young, Adviser to the Board and Director, Division of International Finance, Mr. Holland, Associate Director, Division of Research and Statistics, and Miss Dingle proposing that the System undertake an intensive study to evaluate the current

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functioning of the discount mechanism and, if desirable, to formulate a new policy posture with respect to discounting and related open market operations that would be consistent with recent and prospective developments affecting the banking system and the securities markets. The proposal was put forward in the belief that many member banks might become gradually less able to meet temporary, seasonal, and emergency needs for funds largely by reliance on their own resources, and that as a result the principles set forth in the revision of Regulation A (Advances and Discounts by Federal Reserve Banks) in 1955, however apt at that time, might be slowly turning obsolescent. The proposed program would have the following objectives:

1. To reevaluate the current use of the discount instrument and its relationship to other instruments of monetary policy, especially the open market instrument, with particular reference to the effects of recent economic and financial developments upon the adequacy of the mechanism for meeting reserve needs of individual banks and of the banking system as a whole.
2. To make recommendations, insofar as needed, designed to facilitate reserve adjustments of individual banks during a possible period of moderated liquidity for the banking system.
3. To formulate, insofar as needed, discount principles and related principles with respect to other instruments of monetary policy appropriate to a possible future banking system possessing lower liquidity.
4. To develop machinery to insure (a) uniform administration of the discount function in accordance with the principles in effect at the time, (b) appropriate examination and review of discount operations, and (c) periodic reappraisal of the appropriateness of the principles being followed.

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The memorandum recommended that work on all aspects of the program go forward simultaneously. The methods and machinery contemplated for pursuing the study were described in the memorandum and its attachments. Among other things, it was recommended that a guidance committee be established to head up the study and to develop recommendations based upon it. Such a committee might include one or two Reserve Bank Presidents, one or two Reserve Bank Chairmen, and one or two members of the Board of Governors with the Chairman of the Board as an ex officio member. The formation and composition of certain staff committees was also suggested.

The memorandum had been distributed to the Presidents of the Federal Reserve Banks with a request for preliminary views. At its meeting on June 14, 1965, the Presidents' Conference expressed the view that such a study would be desirable (a view in which the Reserve Bank discount officers had concurred), but that a discussion of the subject with the Board of Governors would be more fruitful after the Presidents had had time to study the recommendations fully. Some question was raised as to the composition of the guidance committee (particularly as to the role of the Reserve Bank Chairmen) and the adequacy of representation of the Reserve Banks on the working committee.

Discussion at today's meeting revealed a unanimous opinion favorable to going forward with the proposed study. Although it was felt that it would be desirable to have the more detailed views of the

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Conference of Presidents before plans for the study were completed, there was agreement that meanwhile preliminary staff work should proceed as rapidly as possible. It was understood that arrangements would be made to discuss the proposal with the Presidents in the near future and that in the meantime Chairman Martin would endeavor to talk with Mr. Hayes, Chairman of the Committee on Discounts and Credits, about the questions raised by the Conference.

The meeting then adjourned.

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

Memorandum from the Director of the Division of Examinations dated June 24, 1965, recommending that Thomas A. Sidman, Accountant-Analyst in that Division, be appointed an Examiner for the Board.

Memorandum from the Division of Research and Statistics recommending acceptance of the resignation of Anne T. Roberson, Secretary in that Division, effective at the close of business July 2, 1965.

  
Secretary

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

Item No. 1  
6/24/65

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 29, 1965.



Dear Sir:

The Board's letter of September 24, 1964 (S-1930) outlined a survey of bank lending practices, to be conducted on an experimental basis for a period of one year. It also contained a statement that, if the survey covering the larger banks reporting in the Quarterly Survey of Interest Rates proved successful, an experimental extension to smaller banks was contemplated.

The results of the three surveys covering a few very large banks that regularly report quarterly figures on interest rates charged on business loans have been encouraging. Accordingly, before the expiration of the experimental period, it appears desirable to make one test of the potential usefulness of this type of survey at smaller banks also.

A proposed questionnaire for use by such banks is attached. The form is similar to that for larger banks, except that it will cover changes in lending practices over a 12-month period only and will provide for the respondent to indicate the quarter when the change occurred. For smaller banks the survey date will be June 30. A list of the banks to be surveyed in your District is enclosed and a supply of forms will be mailed to you shortly. Also enclosed is a draft of a letter that might be used in approaching the smaller banks.

The completed forms should be forwarded to the Board's Data Processing Division as soon as possible but not later than July 23. Prior to transmittal, each report should be checked carefully for completeness, consistency, and reasonableness, and any ambiguities clarified through discussion with the respondent. Summary statistics will be made available to the Reserve Banks for their use and for distribution to respondents.

Very truly yours,

Merritt Sherman,  
Secretary.

Enclosures.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

Suggested draft of letter from Reserve Bank to smaller  
banks to be asked to participate in Survey of  
Bank Lending Practices

The Federal Reserve System is undertaking an experimental survey to obtain information on changes in bank practices regarding the terms and conditions of lending to commercial and industrial businesses and finance companies. Information of this kind has been collected quarterly during the past year from about 80 of the largest banks in the country, covering in each survey changes in lending practices over the preceding three-month period. The results of these surveys have been encouraging, and it now appears desirable to test the potential usefulness of this type of survey at other banks. Your cooperation in supplying this information for a single period only is requested. The survey will cover changes in the lending practices of your bank over the 12 months ending with June 30, 1965.

As you will note, the reporting form (copies enclosed) is relatively simple and should require only a few minutes to complete. Information regarding the practices of individual banks will be treated in a confidential manner; results for broad aggregates of banks will, however, be made available to respondents and others. It is believed that the information to be collected will be of value, not only to the System in carrying out its monetary policy responsibilities but also to the respondent banks.

The questionnaire should be completed by the senior loan officer of your bank or by another senior official thoroughly familiar

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with the bank's current lending policies. Two copies of the form are enclosed, one to be returned to the Reserve Bank and one for your file. The completed form should be returned to us by July 15.

Enclosures.

(Board of Governors of the  
Federal Reserve System,  
June 29, 1965)



The proposed revisions in publication procedure are outlined in more detail in following paragraphs.

#### Publications Procedures

The following suggested changes in our publications procedures would make it easier to make known the results of our research, without at the same time competing directly with the many professional journals in the field.

a) The Editorial Committee proposes to establish a new section in the Bulletin to be called "Staff Economic Studies." This section would include short summaries of papers recently completed at the Board or at the Reserve Banks that were of a quality and scope worth wider notice. Generally speaking, a single page in the Bulletin would be sufficient to cover summaries for up to three papers.

The Editorial Committee would also establish another committee--to include Board staff and possibly some from the Reserve Banks--to receive all manuscripts proposed for consideration in this section and to make decisions on which of the papers would be listed and summarized. So that this committee would not be unduly burdened in its work on these publications, there would be selected from Board and/or Reserve Bank staffs ad hoc reading committees to make decisions on individual papers. These ad hoc committees would not be required to provide detailed editorial comment. They would be asked only to certify that the paper in question was respectable professionally and that the summary to be printed in the Bulletin was a reasonably accurate description of the paper's scope and main findings.

Accompanying the summaries in the Bulletin would be a notice that mimeographed copies of the full papers were available on request and without charge. These mimeographed copies would be side-wire stitched, with an attractive cover (same style for all of them) in the Board's own printing shop. Republication or quotation rights would be limited. The number of copies to be printed in this manner would vary, depending on whether formal publication was also being considered (see Item b). But in any event, no significant additional expense is contemplated, since we would simply be reproducing a few more copies of articles that would be mimeographed anyway for working purposes and for distribution and comment within the System.

b) Coincident with its reading of a paper, the ad hoc committee would also recommend whether the paper should be considered for publication in full, either in the Bulletin or as a separate pamphlet (or with other papers in a combined pamphlet). Authors would be free, however, to choose submission of the paper to one of the regular professional journals or to Federal Reserve Bank reviews in preference to publication in the Bulletin or as a Board pamphlet.

c) Decisions on which of the recommended papers should be printed in full as Staff Papers in the Bulletin and which should be made into separate pamphlets would rest with the Board's Editorial Committee. Papers that ultimately appeared as Staff Papers in the Bulletin would be subject to the regular review and editing given all Bulletin materials. The number of these should not add significantly

to the program of special-article publication planned and approved in the 1965 Budget.

d) Those papers that were considered too lengthy or too technical for the regular Bulletin audience would be considered for publication in pamphlet form. Each such pamphlet would carry a standard preface stating that the Board and its Editorial Committee were not responsible for the opinions, facts, etc.

Our present procedures for publishing papers of this type tend to be slow and cumbersome. These would be revised insofar as possible to expedite publication. Steps being considered to accomplish this include development of a set of rules on editing style for such publications, to be made available to each author; reductions in the time allowed for receipt of review committee comments, author's changes, and comments from outside (if these are to be solicited on the mimeo); and use of an open-end printing contract to cover all pamphlets published in one year. Because of the workload in the Board's printing section, it would often be necessary to have the printing done outside in order to expedite publication.

Hopefully, one or more such pamphlets, not provided for in the 1965 Budget, will be available for publication this year. With the Board's approval, we would like to publish those deemed of sufficient merit, with the understanding that any overexpenditure in the 1965 Budget would be brought to the Board for specific approval when precise costs are known.

<u>em</u>	<u>B.C. H.</u>
<u>W.H.B.</u>	<u>P.B.S.</u>

MEMORANDUM

Item No. 3  
6/24/65

June 22, 1965

TO: Board of Governors  
SUBJECT: Pricing and distribution policies for special publications  
FROM: Daniel H. Brill, Joseph E. Kelleher and John Kakalec

In connection with its approval on May 12 for publication of the monograph "Banking Market Structure and Performance in Metropolitan Areas" the Board indicated the desirability of adopting a general policy regarding charges for these and other special publications. Our recommendations on pricing are given below, together with associated recommendations that are designed to ensure adequate distribution of all special Board publications to academic and other groups which have a particular interest in such materials.

After due consideration of the problems involved in pricing episodic publications that vary widely in cost and size, we recommend adoption of the uniform pricing plan outlined in the following paragraphs. This plan, which is based on the size of publication and applies to both black and white publications and those done in two colors, is intended basically as a means of policing distribution rather than as a means of defraying costs.

Forthcoming monographs or special publications

1. Paperback editions:

A. Prices for the general public:

	<u>Single Price</u>	<u>Group Rate</u>
1. Up to 50 pages	\$ .25	\$.20
2. 51-100 pages	.50	.40
3. 101-200 pages	1.00	15% discount
4. Over 200 pages	1.00 minimum, or a unit price related to cost of printing.	" "

(Group rates would apply to orders for 10 or more copies sent to one address.)

**B. Free Distribution:**

Single copies. Limited initial free distribution to selected groups, recommended by the issuing Division, and copies to the following basic groups upon request:

1. The press
2. Public and school libraries
3. Government departments and agencies, including State and local governments and foreign central banks
4. College and university teachers
5. Graduate students actively engaged in research or reading assignments in the subject area covered by the publication, and
6. On occasion other groups to be approved by the Board, upon recommendation by the issuing Division.

Additional copies: The regular rates would apply.

2. Clothbound and looseleaf volumes.

A. Prices--Regardless of size, would be related to cost of printing and binding. Group prices also would be established for these volumes.

B. Free Distribution--To be approved by the Board, upon recommendation by the issuing Division.

Other Board publications (either in existence or forthcoming)

1. Bulletin reprints. Continued free distribution for bulk shipments as well as single copies.
2. Major publications. Continued free distribution of bulk shipments as well as single copies of such publications as the System Book, the Annual Report, Regulations, Rules of Organization and Procedure.
3. Pricing and distribution policies already established for publications would not be changed, except for the following:

The free distribution policy approved for the first monograph in the series on banking structure, "Bank Mergers and the Regulatory Agencies," would be amended to include college and university teachers, and graduate students.

Imposition of a charge for special Board publications, accompanied by a reasonable policy of giving copies free to selected categories of institutions and individuals, will assist in limiting the distribution to those who have a real use for the documents.

Distributing single copies free to the academic group and others who have a real interest in the subject will serve to satisfy the requests from those to whom the publication is of most value.

*WLB*  
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*JER*  
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*JR*  
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Item No. 4

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BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

OFFICE OF THE CHAIRMAN

June 28, 1965

Dr. Arthur F. Burns, President,  
National Bureau of Economic Research, Inc.,  
261 Madison Avenue,  
New York, New York. 10016

Dear Arthur:

I am writing to let you know that the Board has approved our participation in your project to develop a statistical compendium on credit quality. Dan Brill, who heads up our research operations, has been working with Geof Moore for some time to determine just how our assistance could be most effective, and I understand that arrangements are being made to provide whatever advice, guidance, and data we have mustered to further this effort. Also, the Board has agreed to contribute the \$30,000 in financial assistance needed to complete the project.

As you know, our staff has been attacking the problem of credit quality from many perspectives. A summary of the work we have in process is attached. I think your project and ours should prove complementary and together enhance public knowledge on this very important economic question.

With all good wishes,

Sincerely yours,

(Signed) Bill

Wm. McC. Martin, Jr.

Enclosure.