

Minutes for June 29, 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

ms

Gov. Robertson

ccB

Gov. Balderston

CSMS

Gov. Shepardson

UM

Gov. Mitchell

DM

Gov. Daane

BJM

Gov. Maisel

Minutes of the Board of Governors of the Federal Reserve System
on Tuesday, June 29, 1965. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Robertson
Mr. Shepardson
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. Farrell, Director, Division of Bank
Operations
Mr. Solomon, Director, Division of Examinations
Mr. Kakalec, Controller
Mr. Koch, Associate Director, Division of
Research and Statistics
Mr. Daniels, Assistant Director, Division of
Bank Operations
Mr. Spencer, General Assistant, Office of the
Secretary
Mr. Altmann, Senior Economist, Division of
Research and Statistics
Mr. Egertson, Supervisory Review Examiner,
Division of Examinations

Circulated or distributed items. The following items, copies of
which are attached to these minutes under the respective item numbers
indicated, were approved unanimously:

	<u>Item No.</u>
Letter to Seattle Trust and Savings Bank, Seattle, Washington, approving the establishment of a branch in the Rose Hill Shopping Center, King County.	1
Letter to the Comptroller of the Currency requesting that an order be placed with the Bureau of Engraving and Printing for printing Federal Reserve notes during fiscal 1966.	2

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Reports on competitive factors. There had been distributed drafts of reports to the Federal Deposit Insurance Corporation on the competitive factors involved in (1) the proposed consolidation of Thompson Savings Bank, Hudson, Michigan, with Hudson State Savings Bank, Hudson, Michigan, and (2) the proposed merger of Security Trust Company, Cooperstown, North Dakota, with Binford State Bank, Binford, North Dakota.

The reports were approved unanimously for transmittal to the Corporation, the conclusions therein being stated as follows:

Hudson

The proposed consolidation of Thompson Savings Bank, Hudson, and Hudson State Savings Bank would eliminate a substantial amount of existing and potential competition between the two banks, and the alternative source of banking service in Hudson. It would, therefore, have a significantly adverse effect on competition.

Binford-Cooperstown

Binford State Bank, Binford, and Security Trust Company, Cooperstown, are closely associated through common ownership and management, and there is no effective competition between them. While the proposed merger would foreclose all potential competition between the two banks in the event the affiliated relationship should terminate, the competitive structure of banking in the general area would remain essentially the same.

Studies on price measurement (Item No. 3). After discussion the Board authorized the commissioning of papers on prices and price measurement of the kind referred to in a distributed memorandum dated June 25, 1965, (copy attached as Item No.3), from Mr. Brill, Director, Division

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of Research and Statistics. It was anticipated that this would occasion an overexpenditure in the pertinent account of the 1965 budget of the Division of Research and Statistics, and such overexpenditure was authorized.

The meeting then adjourned.

Secretary's Notes: On April 12 and April 29, 1965, the Board granted Montgomery County Bank and Trust Company, Norristown, Pennsylvania, and Pacific State Bank, Hawthorne, California, extensions of time until June 30, 1965, to file registration statements pursuant to section 12(g) of the Securities Exchange Act of 1934 and Regulation F, Securities of Member State Banks, because mergers into other banks were pending. Since these mergers were still in process, letters were sent today to the respective banks granting their requests for further extensions of time to file registration statements. Copies of the letters are attached as Items 4 and 5.

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

Memorandum from the Office of the Controller dated June 25, 1965, recommending approval of an overexpenditure of \$4,400 in the Furniture and Equipment account of the budget of the Division of Administrative Services to cover the purchase of six dictating machines and four transcribing machines for use in the Division of Examinations.

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

Appointments under Youth Opportunity Program

Temporary appointment (not to exceed 700 hours or extend beyond September 30, 1965) of the following as Summer Trainees in the Division of Administrative Services, with compensation at the rate of \$1.25 per hour, effective the respective dates of entrance upon duty (expected to be about June 30, 1965):

Horace H. Fletcher
Marvin L. Green
William R. Hill

Paul T. Manns
David S. Witherspoon

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Meritorious salary increases, effective July 4, 1965

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Office of the Secretary</u>			
Lee S. Elliott, Supervisor, Clearing Unit		\$ 6,650	\$ 6,850
Helen E. Cook, Supervisor, Bank and Miscellaneous Records		6,800	6,985
Robert M. O'Rourke, Secretary		6,060	6,245
Jewell I. Seay, Indexing and Reference Assistant		5,165	5,330
<u>Research and Statistics</u>			
Stephen H. Axilrod, Chief, Government Finance Section		18,170	18,740
Lyle E. Gramley, Senior Economist		18,170	18,740
Martha R. Seger, Economist		11,315	11,670
James P. Bennett, Economist		10,250	10,605
William Paul Smith, Economist		10,605	10,960
Mary Janice Krummack, Economist		8,945	9,240
Joan R. Winter, Statistical Assistant		5,990	6,155
Jeannette R. DeLawter, Secretary		5,495	5,660
Suzanne D. Courtright, Statistical Assistant		5,165	5,330
Julia G. Back, Library Assistant		4,480	4,630
<u>International Finance</u>			
David G. Hayes, Economist		10,960	11,315
Davita C. Hays, Secretary		6,060	6,245
Katherine Hichborn, Secretary		6,800	6,985
<u>Bank Operations</u>			
Mary M. Durkan, Technical Assistant		11,670	12,025
<u>Examinations</u>			
Irwin W. Robinson, Federal Reserve Examiner		10,605	10,960
Anna S. Courtney, Supervisor, Recording and Stenographic Section		7,650	7,850
Frank P. Herigstad, Assistant Federal Reserve Examiner		6,450	6,650

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Meritorious salary increases, effective July 4, 1965 (continued)

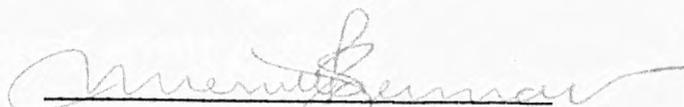
<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Administrative Services</u>			
Mary E. Sanders, General Assistant		\$ 8,690	\$ 8,935
Helen L. Hulen, Chief, Publications Services		8,690	8,935
Edward J. Finck, Purchasing Assistant		5,875	6,060
David Sullivan, Guard		5,680	5,830
John M. Pope, Guard		5,085	5,220
Hampton L. Logan, Laborer		3,385	3,500
<u>Data Processing</u>			
Dorothy Folsom, Draftsman		4,630	4,780
Daisy L. Condon, Secretary		6,430	6,615
Donald B. Fitzhugh, Data Processing Planner		10,605	10,960

Acceptance of resignation

William N. Huff, Economist, Division of Research and Statistics, effective at the close of business June 30, 1965.

Permission to engage in outside activity

Paul Quirante, Statistical Clerk, Division of Research and Statistics, to work for a local oil company on a part-time basis.


Secretary



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

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Item No. 1
6/29/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 29, 1965.

Board of Directors,
Seattle Trust and Savings Bank,
Seattle, Washington.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Seattle Trust and Savings Bank, Seattle, Washington, of a branch in the Rose Hill Shopping Center on Northeast 85th Street between 126th and 128th Avenues Northeast, in an unincorporated area of King County, approximately one mile east of Kirkland, Washington, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
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

Item No. 2
6/29/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 29, 1965.

The Honorable,
The Comptroller of the Currency,
Treasury Department,
Washington, D. C. 20226

Sir:

It is respectfully requested that you place an order with the Bureau of Engraving and Printing for printing 2,275,072,000 Federal Reserve notes (single units) of the 1963 Series or 1950 Series during the fiscal year ending June 30, 1966, in the amounts and denominations shown below for the various Federal Reserve Banks:

	<u>Denomi- nation</u>	<u>Number of notes</u>	<u>Dollar amount</u>
Boston	\$1	79,360,000	\$79,360,000
	5	23,680,000	118,400,000
	10	30,080,000	300,800,000
	20	4,480,000	89,600,000
	50	768,000	38,400,000
	100	768,000	76,800,000
New York	\$1	151,040,000	\$151,040,000
	5	55,040,000	275,200,000
	10	25,600,000	256,000,000
	20	12,800,000	256,000,000
	50	3,072,000	153,600,000
	100	2,560,000	256,000,000
Philadelphia	\$1	93,440,000	\$93,440,000
	5	35,840,000	179,200,000
	10	32,000,000	320,000,000
	20	3,200,000	64,000,000
	50	1,024,000	51,200,000
	100	768,000	76,800,000

The Comptroller
of the Currency

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	<u>Denomi- nation</u>	<u>Number of notes</u>	<u>Dollar amount</u>
Cleveland	\$1	92,800,000	\$92,800,000
	5	29,440,000	147,200,000
	10	19,200,000	192,000,000
	20	24,320,000	486,400,000
	50	1,280,000	64,000,000
	100	768,000	76,800,000
Richmond	\$1	127,360,000	\$127,360,000
	5	45,440,000	227,200,000
	10	37,120,000	371,200,000
	20	38,400,000	768,000,000
	50	512,000	25,600,000
	100	1,536,000	153,600,000
Atlanta	\$1	154,880,000	\$154,880,000
	5	38,400,000	192,000,000
	10	14,720,000	147,200,000
	20	10,880,000	217,600,000
	50	--	--
	100	1,024,000	102,400,000
Chicago	\$1	211,200,000	\$211,200,000
	5	76,800,000	384,000,000
	10	71,040,000	710,400,000
	20	48,000,000	960,000,000
	50	1,792,000	89,600,000
	100	2,304,000	230,400,000
St. Louis	\$1	70,400,000	\$70,400,000
	5	17,280,000	86,400,000
	10	5,760,000	57,600,000
	20	7,040,000	140,800,000
	50	1,024,000	51,200,000
	100	512,000	51,200,000
Minneapolis	\$1	30,080,000	\$30,080,000
	5	12,800,000	64,000,000
	10	--	--
	20	3,200,000	64,000,000
	50	--	--
	100	256,000	25,600,000

The Comptroller
of the Currency

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	<u>Denomi- nation</u>	<u>Number of notes</u>	<u>Dollar amount</u>
Kansas City	\$1	62,080,000	\$62,080,000
	5	21,120,000	105,600,000
	10	10,880,000	108,800,000
	20	13,440,000	268,800,000
	50	256,000	12,800,000
	100	512,000	51,200,000
Dallas	\$1	67,840,000	\$67,840,000
	5	16,640,000	83,200,000
	10	11,520,000	115,200,000
	20	5,760,000	115,200,000
	50	512,000	25,600,000
	100	768,000	76,800,000
San Francisco	\$1	188,800,000	\$188,800,000
	5	54,400,000	272,000,000
	10	23,040,000	230,400,000
	20	40,320,000	806,400,000
	50	1,280,000	64,000,000
	100	2,816,000	281,600,000
Totals	\$1	1,329,280,000	\$1,329,280,000
	5	426,880,000	2,134,400,000
	10	280,960,000	2,809,600,000
	20	211,840,000	4,236,800,000
	50	11,520,000	576,000,000
	100	14,592,000	1,459,200,000
		<u>2,275,072,000</u>	<u>12,545,280,000</u>

Respectfully,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

MEMORANDUMItem No. 3
6/29/65

June 25, 1965

TO: Board of Governors SUBJECT: Contributed papers on the
FROM: Daniel H. Brill subject of prices and price measurement.

The Board will recall authorizing the establishment of a consultant committee on prices and price measurement earlier this year. The principal purposes to be served by the committee are (a) exploration of the conceptual and operating problems in improving the measurement of price changes, (b) study of the relationship of these conceptual and statistical problems to the price stability targets of monetary policy, and (c) fostering of academic interest and training in the area of price measurement.

Pursuant to the authorization, a committee was formed under the chairmanship of Professor Irving Kravis of the University of Pennsylvania. In addition, the committee includes Professor Franklin M. Fisher, Massachusetts Institute of Technology; Professor Dorothy S. Brady, University of Pennsylvania; Dr. Robert E. Lipsey, National Bureau of Economic Research; Mr. Lester S. Kellogg, Deere & Co.; Professor Zvi Griliches, University of Chicago.

The committee has met twice, once in April and most recently on June 17. It was the unanimous feeling among the committee that the optimal approach at this stage would be the commissioning of a series of contributed papers outlining new approaches to the price measurement problem, such papers to be undertaken by recognized scholars and/or graduate students of exceptional merit. The papers would attack the

problems at a variety of levels, and, hopefully, range widely over relatively unexplored areas of economic theory and statistical practice. Some would grapple with the theoretical implications of changes in quality and in technological processes for price measures. Others would be empirical pilot studies attempting to apply some of the newer techniques of regression analysis and quantitative psychology to the measurement of quality change. At least one, and possibly two, papers are recommended on the subject of the price measures relevant as targets of or guides to monetary policy. Other subjects recommended for exploration by the committee include analysis of problems arising in the deflation of dollar expenditure figures in order to obtain estimates of real output, the cyclical behavior of measures of sensitive prices, and improvement in the measurement of the price of labor, especially the pricing of fringe benefits. The Council of Economic Advisers is particularly interested in the last noted subject, since fringe benefits account for so large a share of recent wage settlements.

No specific contribution on the subject of transactions vs. quoted prices was recommended, in part because this problem is being explored in a project being undertaken by the National Bureau under the direction of Professor Stigler, and in part because an analysis of transactions as against list prices in the area of steel mill products is now under way by the Board's staff. A more complete description of prospective papers is given in the attached copy of the minutes of the last meeting of the consultant committee.

Preliminary inquiry by members of the committee indicates substantial interest on the part of a number of eminent scholars in

participating in this exploration. Before proceeding to a more formal inquiry, the Board's staff seeks authorization to commission these papers.

It is not possible to give a precise statement of the number of papers which will actually be undertaken or to estimate precisely the total cost involved. In the past, the Board has generally offered an honorarium of \$1,500 for similar papers. This honorarium was based on a rough estimate of the man days of work likely to be involved in completing a paper times the average daily fee paid consultants. Since we understand that this is still an acceptable fee for this type of paper, we would propose to offer it to authors of the proposed papers.

The committee has recommended about a dozen papers. Not all would be completed in this calendar year. In fact, several of the prospective authors are fully committed until next spring. The best approximation is that expenditures for such papers would be about \$10,000 for this calendar year and perhaps as much again next year, but there is a strong possibility that the distribution of expenditures would be more heavily weighted toward 1966.

At the time the committee was authorized by the Board, I indicated that it would be difficult to estimate in advance what expenditures would be involved and, therefore, no request was included in the budget. Now that the program of the price committee is clarifying, authorization is requested to undertake the studies noted and to over-expend the appropriate account in the Research Division's 1965 budget to the extent necessary.

V. P. H. B.
JK

Attachment.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

Item No. 4
6/29/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 29, 1965.

Montgomery County Bank
and Trust Company,
Norristown, Pennsylvania.

Attention: Mr. Merrill A. Bean, Senior Vice President.

Re: Regulation F -- extension of time to file.

Gentlemen:

Reference is made to your letter of June 21, 1965, in which you request a further 60-day extension of time until August 29, 1965, to file a registration statement pursuant to section 12(g) of the Securities Exchange Act of 1934.

A previous request for an extension of time to file until June 30, 1965, was granted, based on the fact that Montgomery County Bank proposes to merge with and into Broad Street Trust Company, Philadelphia, Pennsylvania, a nonmember State bank. You state that the merger was approved by the shareholders of the respective banks on April 14, 1965, and that the Pennsylvania Department of Banking has indicated approval of the merger, subject to the approval of the Federal Deposit Insurance Corporation. You further state that you have no reason to believe that the approval by the FDIC will be denied, but that agency has not yet made a determination with respect to this matter.

In view of the above information, the Board grants a further extension of time until August 29, 1965, for your bank to file the registration statement pursuant to section 12(g) of the Securities Exchange Act of 1934.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

Item No. 5
6/29/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 29, 1965.

Pacific State Bank,
13545 South Hawthorne Boulevard,
Hawthorne, California.

Attention: Mr. E. C. Aldrich, President pro tem.

Re: Regulation F -- extension of time to file.

Gentlemen:

Reference is made to your letter of June 22, 1965, in which you request an extension of time until August 30, 1965, to file a registration statement pursuant to section 12(g) of the Securities Exchange Act of 1934.

A previous request for an extension of time to file until June 30, 1965, was granted, based on the fact that Pacific State Bank proposes to merge with and into United States National Bank of San Diego, San Diego, California. You state that the Comptroller of the Currency has authorized both banks to proceed with their publication of a Notice of Intention to Merge and Notice of Special Stockholders Meetings. In anticipation of such publication, the United States National Bank has filed with the Comptroller of the Currency its proxy material. It anticipates that it will receive approval of such proxy material within the next 10 days and that immediately thereafter publication of the described notices will commence by both banks for a 30-day period. Accordingly, you believe that the special stockholders meeting of both banks can in all probability be held on or before August 6, 1965.

In view of the above information, the Board grants a further extension of time until August 30, 1965, for your bank to file a registration statement pursuant to section 12(g) of the Securities Exchange Act of 1934.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.