

Minutes for January 6, 1961

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

WM

Gov. Szymczak

MS

Gov. Mills

[Signature]

Gov. Robertson

R

Gov. Balderston

CB

Gov. Shepardson

[Signature]

Gov. King

[Signature]

Minutes of the Board of Governors of the Federal Reserve System on Friday, January 6, 1961. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
Mr. Mills
Mr. Robertson
Mr. Shepardson

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thomas, Adviser to the Board
Mr. Young, Adviser to the Board
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Noyes, Director, Division of Research and Statistics
Mr. Koch, Adviser, Division of Research and Statistics
Mr. Landry, Assistant to the Secretary
Mr. Eckert, Chief, Banking Section, Division of Research and Statistics
Mr. Keir, Chief, Government Finance Section, Division of Research and Statistics

Report on the money market. Mr. Keir reported on recent developments in the money market, and Mr. Eckert commented on the situation with respect to bank reserves and the money supply.

Following this report all members of the staff with the exception of Messrs. Sherman, Kenyon, and Landry withdrew and the following entered the room:

Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Conkling, Assistant Director, Division of Bank Operations
Mr. Nelson, Assistant Director, Division of Examinations
Mr. Rudy, Special Assistant, Legal Division
Mr. Leavitt, Supervisory Review Examiner, Division of Examinations

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Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Chicago, St. Louis, Kansas City, Dallas, and San Francisco on January 5, 1961, 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.

Item circulated to the Board. The following item, which had been circulated to the Board and a copy of which is attached to these minutes as Item No. 1, was approved unanimously:

Letter to the Federal Reserve Bank of San Francisco authorizing it to accept publication of condition reports of California State member banks on the amended California State Banking Department form.

Mr. Conkling then withdrew from the meeting.

Request for disclosure of unpublished information (Items 2 and 3).

There had been circulated to the members of the Board a file containing a memorandum from the Legal Division dated December 22, 1960, regarding a request made of the Federal Reserve Bank of St. Louis by Mr. Robert Kratky, an attorney of St. Louis, Missouri, for disclosure of certain unpublished information. Although the Reserve Bank was inclined toward granting the request, the Legal Division took the position that the information should be made available only upon service of a subpoena duces tecum. In the view of the Division, such a procedure would reflect impartiality toward the

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persons involved in pending litigation and would be more desirable than releasing the information on the basis of the attorney's request. Accordingly, there was attached to the memorandum of the Division a draft of letter to Mr. Kratky that would state the Board was not disposed to make the requested documents available except on the basis of a subpoena duces tecum served on an appropriate officer of the Federal Reserve Bank of St. Louis.

Mr. Rudy reviewed the factual situation surrounding the request made by Mr. Kratky, which was that the Board authorize the Federal Reserve Bank of St. Louis to release to him copies of memoranda dated April 9 and May 25, 1951, summarizing statements made to the Reserve Bank by Mrs. Louise B. Gruenewaelder and the late president of a member bank regarding supposed improper interference by the bank president in a transaction involving Mrs. Gruenewaelder and a Mr. E. L. Wintermann. The memoranda indicated that following discussions with Mrs. Gruenewaelder and the president of the member bank, which revealed that the facts of the matter were in dispute, the Reserve Bank concluded that no action on its part was indicated. It was the view of the Legal Division, Mr. Rudy said, that it would be difficult for the Board to sustain non-disclosure on the basis of confidentiality, should a subpoena duces tecum be served, in view of the nature of the two memoranda, which were of a narrative character. The reply to Mr. Kratky would disclose that the only files of the Bank on this subject consisted of the two narrative memoranda, and it was the thought of the Legal

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Division that identification of the documents to this extent might discourage the attorney in his efforts to secure the unpublished information.

Thereupon, the letter to Mr. Kratky was approved unanimously. A copy is attached as Item No. 2, and a copy of the accompanying letter to the Federal Reserve Bank of St. Louis is attached as Item No. 3.

Mr. Rudy then withdrew from the meeting.

Report on competitive factors (St. Johns, Michigan). Distribution had been made of a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed consolidation of The St. Johns National Bank and The State Bank of St. Johns, both of St. Johns, Michigan.

The report was approved unanimously, with the conclusion stated as follows:

The proposed consolidation will have a negligible effect upon the competitive situation of banks outside St. Johns; however, since the two institutions involved are the only banks in St. Johns and the principal competitors of each other, the lessening of competition in St. Johns will be substantial. The proposal will give resulting bank a monopoly in both St. Johns and its primary trade area.

Retail trade statistics program (Item No. 4). Mr. Sherman referred to the meeting on December 19, 1960, at which the Board approved a letter to the Chairman of the Presidents' Conference expressing concurrence in the action of the Presidents with respect to the retail trade statistics program. Since that time, he said, it had been agreed to extend from

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January 31 to March 31, 1961, the effective date of the discontinuance of certain department store reports, as proposed in the October 28, 1960, progress report of the Committee of Five. A member of that committee representing the trade planned to inform the National Retail Merchants Association on January 11, 1961, during its annual convention, of the steps taken to date in connection with the department store statistics program, and it was thought desirable that there should be simultaneous release of an official statement from the System. A draft of such a statement had now been prepared.

While the decision to terminate certain reports might appear to be a rather minor thing, Mr. Sherman said, he believed it did represent an important step toward developing better information on department store and retail trade. It was constructive from the standpoint of the Federal Reserve, and in accord with what the Board, the Budget Bureau, and the Census Bureau wanted. He went on to say that at the present stage of the program's development there was no significant issue between the System, the trade, the Bureau of the Census, and the Bureau of the Budget. Whether any such issue would develop later as the Federal Reserve pulled further away from the collection of department store statistics would depend largely on how the program unfolded. At least, however, the trade was now more aware of the need for improved retail trade data. Furthermore, the representatives of the System had reason to feel that the steps

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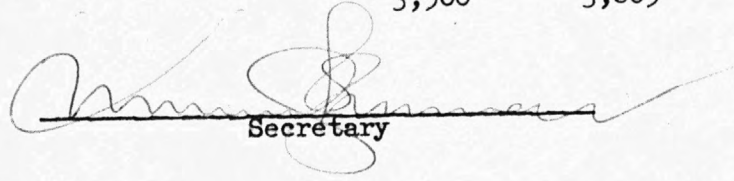
taken thus far fitted in with the program contemplated by the Commerce Department and the Budget Bureau. The question of future responsibility for the various parts of the retail trade statistics program had not been discussed too much, because that might only have raised an issue at this time.

Secretary's Note: Attached as Item No. 4 is a copy of the press statement that was released on January 11, 1961.

The meeting then adjourned.

Secretary's Note: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board increases in the basic annual salaries of the following persons on the Board's staff, effective January 8, 1961:

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Board Members' Offices</u>			
Athens J. Messick, Secretary		\$ 6,545	\$ 6,710
<u>Research and Statistics</u>			
James W. Ford, Economist		13,250	13,510
Mary Jane Harrington, Economist		7,820	8,080
Francis R. Pawley, Economist		11,935	12,195
Anita E. Perrin, Secretary		5,490	5,655
<u>Personnel Administration</u>			
Charles Wallace Wood, Personnel Assistant		6,600	6,765
<u>Administrative Services</u>			
Mary E. Dorsey, Senior Printing Technician		6,345	6,675
Thresia D. Elting, Cafeteria Helper (part-time)		1,750	1,803
Garland R. Gaines, Messenger		3,500	3,605


Secretary

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

Item No. 1
1/6/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



January 6, 1961

Mr. E. H. Galvin, Vice President,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Dear Mr. Galvin:

This refers to your letter of December 6, 1960, and its enclosures, regarding proposed changes in the California State Banking Department report form which has been accepted, in accordance with the Board's letter of February 28, 1952, in lieu of requiring publication on Federal Reserve Form F.R. 105e-1.

The proposed change, as outlined in your letter, in the footnote in the assets schedule which eliminates reference to other real estate, and the change of the footnote reference to "Bank premises" rather than to "Other assets," will not affect the form for publication purposes inasmuch as no State bank in California has an investment indirectly representing other real estate.

In the circumstances, and in view of your recommendation, the Board authorizes your Bank to accept, until further notice, the publication of condition reports of California State member banks on the amended California State form.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 2
1/6/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



January 6, 1961

Robert Kratky, Esq.,
Attorney at Law,
Suite 1301 International Building,
722 Chestnut Street,
St. Louis 1, Missouri.

Dear Sir:

This refers to your letter of December 5, 1960, stating that you have been retained as counsel to represent Mrs. Louise B. Gruenewaelder in the cases of Louise B. Gruenewaelder v. Edward L. Wintermann et al, number 5760-E, pending in the Circuit Court of The City of St. Louis, and of E. L. Wintermann v. Louise B. Gruenewaelder, number 212,961, pending in the Circuit Court of St. Louis County, Missouri.

You explain that both cases arise out of a transaction which occurred on January 30, 1951, in the Mutual Bank and Trust Company of St. Louis, and that according to your information, the transaction was the subject of an examination and memorandum or report by Federal Reserve Bank officers during March and April of 1951. You point out that in your opinion the memorandum or report of the examiner's findings is vitally important to the conduct of the above litigation and request the Board, under Title 12, Part 261.2(c)(1) of the Code of Federal Regulations, to authorize the officers of the Federal Reserve Bank of St. Louis to release to you a copy of such memorandum or report.

The Board is advised that the documents to which you refer are unpublished information consisting of two narrative memoranda, one from Messrs. Kroner and Dunne to Mr. Peterson dated April 9, 1951, concerning an "Interview with Mrs. Louise B. Gruenewaelder, 6917 Pershing, University City, Mo., April 4" and a memorandum from Mr. H. B. Kline to the Files dated May 25, 1951, on the subject "Transactions between Mrs. Louise B. Gruenewaelder and Mutual Bank and Trust Company". The Board is not disposed to make the documents

Robert Kratky, Esq.

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available except on the basis of a subpoena duces tecum served on an appropriate officer of the Federal Reserve Bank of St. Louis.

In the event you feel disposed to so proceed, Vice President Marvin Bennett of the Reserve Bank would be an appropriate individual upon whom service could be made.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 3
1/6/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 6, 1961

Mr. Delos C. Johns, President,
Federal Reserve Bank of St. Louis,
St. Louis 66, Missouri.

Dear Mr. Johns:

Enclosed is a letter replying to the request of Attorney Robert Kratky for unpublished information, which you are requested to transmit to Mr. Kratky. In accordance with your recommendation, the information is being made available to Mr. Kratky.

It was felt that the requirement of a subpoena duces tecum for production of the documents would reflect the Board's impartiality, toward the litigants, and would be more desirable than releasing the information on the basis of an informal request.

General Counsel Dunne of your Bank, in a telephone conversation, furnished the name of Vice President Bennett as an appropriate individual upon whom service could be made, should Mr. Kratky decide to pursue the matter to its conclusion. You are advised that pursuant to section 9 of its Rules of Organization the Board authorizes Mr. Bennett, or other appropriate officer, to appear and produce the information requested and testify in connection therewith.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosure

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 4
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Statement for the Press

For release at 11:00 a.m., E.S.T.,
January 11, 1961.

January 11, 1961

A committee representing the department store industry, the Bureau of the Budget, and the Federal Reserve System, stressed the need for improved statistics on retail trade, including department store data, in a joint statement issued today. The committee, comprising two department store executives, two officials of the Federal Reserve System, and one official of the Bureau of the Budget, which has responsibility for statistical standards, has been meeting since May 1960 for the purpose of discussing Federal Reserve department store statistics and their relation to an improved program for over-all data on retail trade.

In reporting on its progress, the "Committee of Five" indicated that agreement had been reached that the Federal Reserve would continue for the present to publish the department store statistics that have been available through the System's regular press releases. Certain supplementary reports of relatively limited interest that have been available only to reporting stores will, by joint agreement, be discontinued as of March 31, 1961, except as some may be prepared for the stores on a cost basis.

The Committee was unanimous in its view of the necessity for better statistical coverage of retail distribution, of which the department store statistics are an important element. The Committee stated it

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endorses and will support a request expected to be made by the Bureau of the Census for funds to carry out such expansion of trade data.

Need for revision of department store statistics, which have been compiled by the Federal Reserve since 1919, has been widely recognized for some time. This need arises in part from changes that have occurred in the structure of the retail industry and in its department store segment. It also reflects a need for more adequate data on sales for various commodity groups than are presently available.

Department stores that now participate in the Federal Reserve program are being notified directly by the Reserve Bank to which they report as to the specific series that will no longer be compiled after March 31 of this year. Each Reserve Bank, however, upon request by reporting department stores, may undertake to continue temporarily additional series that have been issued on a restricted basis in the past, subject to reimbursement to cover the costs of these compilations for the stores.

The Committee will continue to meet for the purpose of dealing with problems that may arise during the coming months with the goal of speeding the development of the present department store reports to a more useful statistical reporting system covering retail distribution.