

Statement at the joint meeting of the directors
of the Federal Reserve Bank of Kansas City and its Denver
Branch, Denver, Colorado, July 15, 1961.

July 11, 1961.

Clay - Kansas City

Suggested statement for Chairman Martin follows:

Although we have barely entered upon the second half of 1961, most major measures of American economic activity have already regained or exceeded their pre-recession highs. In just three months time, industrial production has recovered all the decline that had occurred since July 1960. In the second quarter of this year, gross national product reached a new record high. Personal incomes have expanded further to a level well above last autumn's peak and the total number of persons with jobs is the highest in our history.

In retrospect, it is clear that the recent recession was the mildest of the four that we have experienced since the end of world war II. Its genesis was traceable at least in part to the unsettling effect of inventory accumulation both before and after the 1959 steel strike. Similarly, a major reason for the recovery in gross national product during the second quarter of this year was the switch from net liquidation to some restocking of inventory positions.

Against this background of recession and recovery, Federal Reserve System operations have been directed toward providing an ample supply of money and credit to meet the rising need for funds resulting from the resumption of business activity. The active money supply increased at an annual rate of about 2 per cent in the first half of this year and now stands approximately \$2 billion above year-age levels. Near-money sources such as time deposits at commercial banks and other liquid assets in the hands of the public have risen at a rapid rate.

Total credit extended by commercial banks increased during the first half of 1961, in contrast to reductions in the corresponding periods of the 2 preceding years. While business demand for credit at banks has been somewhat sluggish, the volume of new funds raised by private corporations and by municipalities in the market reached a historic high during the April-June period of this year. Despite the pressure of these heavy demands, the gradually rising need of the Federal Government for additional funds, and the substantial improvement in business sentiment, interest rates generally have shown little change from those prevailing at the beginning of 1961.

Of considerable importance among recent economic developments has been the continued general stability of prices. Wholesale prices have undergone little or no over-all change for more than 3 years. Consumer prices have remained almost steady over the last year.

The vigorous character of the recovery thus far provides a basis for considerable encouragement, although it must be recognized that the pace will ultimately slow to a more sustainable rate for the long-pull. At the same time, the number of unemployed workers remains stubbornly high and a substantial amount of existing plant capacity lies idle. Bringing these resources into full utilization presents a formidable challenge to management, to labor, and to government.

Fauver.

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