Minutes for March 2, 1959.

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, if you were present at the meeting, please initial in column A below to indicate that you approve the minutes. If you were not present, please initial in column B below to indicate that you have seen the minutes.

A

B

Chm. Martin

Gov. Szymczak

Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson
Minutes of the Board of Governors of the Federal Reserve System
on Monday, March 2, 1959. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
         Mr. Balderston, Vice Chairman
         Mr. Szymczak
         Mr. Mills
         Mr. Robertson
         Mr. Shepardson
         Mr. Sherman, Secretary
         Mr. Kenyon, Assistant Secretary
         Mr. Fauver, Assistant Secretary
         Mr. Riefler, Assistant to the Chairman
         Mr. Thomas, Economic Adviser to the Board
         Mr. Hackley, General Counsel
         Mr. Molony, Special Assistant to the Board
         Mr. Hill, Assistant to the Secretary
         Messrs. Marget, Furth, Hersey, Sammons, Irvine, Katz, Wood, and Reynolds of the Division of International Finance
         Messrs. Young, Noyes, Robinson, Brill, Eckert, Fisher, Gehman, Manookian, Weiner, Wernick, and Yager, and Miss Dingle, of the Division of Research and Statistics
         Mr. Allen, President, Federal Reserve Bank of Chicago

Technical change in language of reserve bill. Mr. Filson of the Legislative Counsel's Office of the House of Representatives called Mr. Hackley on February 27, 1959, regarding a possible technical change in the language of the proposed bill on reserve requirements suggested by the Board. In an explanatory memorandum dated February 27, which had been distributed to the Board, Mr. Hackley pointed out that the change suggested by Mr. Filson, as follows, would not in any sense alter the substance of the bill:
"A member bank in a reserve city may hold and maintain the reserve balances specified in effect under this section for member banks described in paragraph (a) above and a member bank in a central reserve city may hold and maintain the reserve balances specified in effect under this section for member banks described in paragraphs (a) or (b) above, if permission", etc.

In response to a question by Chairman Martin, Mr. Hackley said he did not think that the change would create any embarrassment from the standpoint of the bill already introduced in the Senate by Senator Robertson. However, if a change should be made in the bill introduced in the House, it would seem desirable to give advice to the Clerk of the Senate Banking and Currency Committee.

There was no objection on the part of the Board to the proposed change, and it was understood that Mr. Hackley would so advise the House Legislative Counsel's Office.

Mr. Hackley then withdrew from the meeting.

Economic review. In summarizing developments reported by the Division of International Finance, Mr. Marget described the international economic situation as moderately favorable. While no one could say that the United States balance of payments problem was on the verge of being solved, the trade deficit had not been reflected this year in a sustained gold outflow such as occurred in 1958. With regard to export prospects, he said that the effect on the United States economy in the months ahead was expected to be upward. Although the upturn was likely to be moderate rather than sharp, this was not regarded as a cause for concern.
The review of domestic developments by the Division of Research and Statistics revealed a continued upswing in most sectors of the economy. Industrial production rose in January as the output of consumer goods reached record levels, and by the end of the first quarter was expected to equal or exceed the peak recorded in 1957. Prices of industrial commodities were rising and the relative stability of the consumer price index was attributable largely to the decline in food prices. While the labor market showed only modest and scattered evidences of improvement, gross national product for the first quarter of 1959 was being estimated at $464 billion annual rate, which would be a new high in physical volume as well as in dollars.

The meeting then adjourned.