

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	x <u>MM</u>	_____
Gov. Szymczak	x <u>MMS</u>	_____
Gov. Mills	x <u>[Signature]</u>	_____
Gov. Robertson	x <u>R</u>	_____
Gov. Balderston	x <u>CCB</u>	_____
Gov. Shepardson	x <u>[Signature]</u>	_____

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:

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"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.

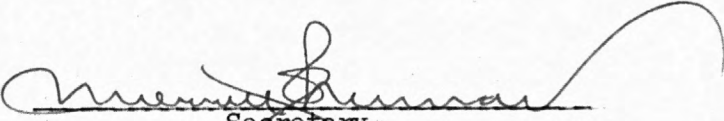
Economic review. In summarizing developments reported by the Division of International Finance, Mr. Marget described the international economic situation as moderately favorable. While no one could say that the United States balance of payments problem was on the verge of being solved, the trade deficit 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.

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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.



Secretary