

SALT LAKE CITY BRANCH  
FEDERAL RESERVE BANK OF SAN FRANCISCO  
SALT LAKE CITY 9, UTAH

December 23, 1944

Mr. Marriner S. Eccles  
Ben Lomond Hotel  
Ogden, Utah

Dear Mr. Eccles:

Enclosed is copy of wire from Mr. Morrill which was read to you over the phone this forenoon. The date, September 1, 1942, appears twice in the third line of paragraph 2 of Secretary Morgenthau's letter, which is the way it came in to San Francisco on the leased wire and we did not ask for service back of that point as to this date.

Please let us know if there is any service we can perform for you, and with best wishes for the Holiday Season, I am

Sincerely yours,



Managing Director

Enclosure



TRANSLATION OF TELEGRAM RECEIVED

Copy for Letter File  
Entries to be made from this copy

From MORRILL, WASHINGTON

12-23-44

(Date)

dn

Copied and Translated:

To PARTNER, SALT LAKE CITY  
FEDERAL RESERVE BANK OF SAN FRANCISCO

Checked:

FEDERAL RESERVE BANK OF SAN FRANCISCO

Copy routed to Mr.

SEE ATTACHED COPY

Copy delivered to Mr.

To be handled by Mr.

Partner

TM not coded 1130

Function and Unit No

Directed to File

By (Surname)

(Do not write in this space)

..... Answered  
..... Ansd. by Routine Advice  
..... No Answer Required

Will appreciate it if you will do everything you can to deliver following message to Chairman Eccles at Ogden as soon as possible:

A letter addressed to you under date of December 22 and signed by Secretary Morgenthau was received yesterday and I have been asked to quote it to you over the wire. A copy is also being sent to you by air mail. In addition, I have read it over the telephone to Allan Sproul, who asked me to advise you that he thinks it would be desirable that arrangements be made for a meeting with the Secretary at a date which would be earlier than the date which it is understood you had expected to return to Washington. The letter from the Secretary of the Treasury reads as follows: Quote

December 22, 1944

Dear Marriner:

As Under Secretary Bell has indicated to you from time to time during the course of the past month or so, the Treasury Department is concerned over the rise in the pattern of interest rates on Certificates of Indebtedness, particularly those of short term, which has been permitted to take place during this fall.

The extent of this rise is shown by the enclosed chart, which compares the pattern of rates on Certificates of Indebtedness as of September 1, 1942, September 1, 1942, September 1, 1943, September 1, 1944, and December 19, 1944. The point on the yield curve for Certificates of three months' maturity, which was about 0.46 percent on September 1, 1944, had risen to about 0.68 percent by December 19. The September 1 yields, as shown in the chart, were in line with the pattern of rates which had been maintained for the previous two years; while the yield curve on December 19 was markedly out of line with that pattern. This rise in the yields of short-term Certificates of Indebtedness places them entirely out of line with the 3/8 of one percent rate on three-month

Treasury Bills.

You will recall that, at the discussions leading up to the establishment of the present pattern of rates, both you and Mr. Sproul believed that short rates should be fixed at a level higher than was finally decided upon. Both of you agreed, however, at a meeting held in my office on March 20, 1942, that the Federal Reserve System could and would execute any pattern of rates which I might decide was required for the efficient and economical financing of the war. This has continued to be our understanding ever since that time.

During this period, the Federal Open Market Committee has proposed increases in short-term interest rates on several occasions. I have felt myself compelled, as the Government Officer principally responsible for the financing of the war, to reject these proposals in each case. As you know, I feel very strongly that this war should not be financed, as was the last one, at rising rates of interest. Up to the current rise in certificate yields, the pattern of rates set in 1942 has been held extremely well; and I have, from time to time, commended you and many of your colleagues upon your fine performance of the promise which you had made to me, and have told you what a major role it has played in the efficient financing of the war.

It seems to me that the present rise in the yields of Treasury Certificates of Indebtedness constitutes a departure from the pattern of rates which you had agreed to maintain; and I should, therefore, like to request the Federal Open Market Committee to take appropriate steps, over a suitable period of time, to bring the yields of Treasury Certificates of Indebtedness back to approximately their September 1 levels.

Sincerely

H. Morgenthau Jr.

Honorable Marriner S. Eccles

Chairman, Federal Open Market Committee Washington, DC

Enclosure

Unquote

Morrill