

ALLAN SPROUL
KENTFIELD, CALIFORNIA

March 14, 1961.
Feb. 3/30/61

Dear Al: *X*

4
Thank you for your letter of March 3, and now for your letter of March 10. I am glad to know that one of the brethren supported you "most of the way" in the Federal Open Market Committee, but the vote was always eleven to one, as I recall.

The problem of imaginary history, one-sided explanations, either/or presentations, and dubious allies, in the battle of "bills only" has bothered me over the years, as it has you. I still think that you were right, as an individual and in setting policy for the Bank, not to engage in a public debate on the matter, after my abortive attempt to stir up public interest in what was being done. I think I was right not to take up the argument, again, after leaving the System. I had two reasons. One, I did not wish to be an embarrassment to the New York bank, which had to make up its mind and then press its views within the Committee, under your direction. Two, I have observed that, usually, he who continues the attack after he has left the fighting forces is likely to lose his audience pretty quickly. That has not meant that I did not feel free to make my views known, and thus to keep them alive, whenever they were sought by individuals, publications, committees and commissions.

As one result of the partial blackout of conflicting views during the past few years, the present reversal of policy, as you point out, has been the subject of new distortions by the uninformed (e.g. Arthur Krock) and violent attacks by the informed partisans of "bills only", and it has encouraged embarrassing allies. There were some monetary analysts who opposed "bills only" in the past, however, and I would expect them and others to be more vocal in opposing a return to that doctrine if it is attempted. I would also expect that you and others would have a chance to oppose it within the System, and before Congressional committees with a much better chance of success than in the past. I shall certainly now feel free to say and write what I think, about the past and about the future for whatever that may be worth. I have a lot of material which I have been collecting during the period of silence!

Quite apart from the technical merits or demerits of "bills only", I think it was a great mistake for the Federal Open Market Committee to let itself become enamoured of so-called "rules of the game", which were to be the ten commandments

of central banking - carved in stone. These rules made a pious fraud of protestations of flexibility and contributed to intellectual dishonesty in pretending to study and discuss the question of "bills only". I am disturbed, therefore, that some "defenders of the Federal Reserve" are saying that the abandonment of "bills only" is a temporary expedient and an experiment, and that the System will return to "bills only" as soon as we are rid of a domestic recession and a balance of payments deficit. I would hate to see the System get back into the strait jacket.

My travel plans have been "nudged" up a day, and I will now arrive in New York on Sunday, April 9, and leave Thursday evening, April 13. If it turns out that you (and Charlie) are there at that time, I shall count it a blessing. In any case, I shall put down Wednesday, April 12, for lunch at the Bank, and I shall try to come to the Executive Committee luncheon on April 13. On Tuesday, April 11, I will dash down to Washington to check in with Bob Roosa and, maybe, one or two others.

With best regards.

Sincerely,



P. S. I'll send along my flight number and arrival time in a few days. Thanks.

A. S.