

## OFFICE CORRESPONDENCE

DATE May 17, 1954.

TO Messrs. Rouse and Roosa (cc to Mr. Treiber)

FROM Allan Sproul

Attached is the suggestion which I have sent to Chairman Martin (revising his earlier suggestion) for carrying out a program of organized communication between this bank and the Executive Committee of the Federal Open Market Committee, proposed by Governor Robertson.

My idea is that these telephone calls will be for the discussion of the credit situation and the situation in the government security market, as it seems to exist, but not as a substitute for policy-making by the Executive Committee of the Federal Open Market Committee, nor for executive responsibility for carrying out policy, which is the responsibility of this bank and the Manager of the System Open Market Account. There will undoubtedly be questions and suggestions as to how policy should be executed. These should be handled, so far as possible, as an exchange of views and opinions for consideration, without argument as to what action finally will be taken at this bank by the Manager of the System Open Market Account.

In the exceptional circumstance, when both Mr. Rouse and Mr. Roosa are absent from the bank (except in attendance at meetings of the Federal Open Market Committee or its Executive Committee), the three-way telephone conversation will be initiated by Mr. Treiber, First Vice President, and my alternate on the Federal Open Market Committee, and Mr. Rouse's alternate in the administration of the securities function at this bank.

Encl.

5/17/54

Each morning at 10:45 a.m., beginning June 1, 1954, Mr. Rouse, Manager of the System Open Market Account, and Vice President, Federal Reserve Bank of New York (or in his absence Mr. Roosa, Assistant Vice President, Federal Reserve Bank of New York) will telephone Mr. Williams, Member of the Executive Committee of the Federal Open Market Committee (or his nominee at the Federal Reserve Bank of Philadelphia, and Mr. Thomas (or in his absence Mr. Youngdahl) at the Board of Governors, on a three-way telephone hookup, to discuss the reserve position of the banks, the situation in the Government security market, and the outlook for open market operations.

By 10:45 a.m., Mr. Rouse or Mr. Roosa will have available the reserve position of the central reserve city banks at New York and the initial Federal fund and dealer loan rates, and will have had early morning conversations with Government security dealers and been able to observe the tenor of the market during its first half hour of trading.

It would be understood, of course, that unusual or unanticipated developments either earlier or later in the day than the hour of these three-way conversations, which might have an important bearing on open market operations, could call for similar conversations at other times.

These three-way conversations would be in addition to and not in lieu of present recurrent factual market reports transmitted to the Government securities section at the Board of Governors by Mr. Larkin or Mr. Cooper of the Securities Department of the Federal Reserve Bank of New York.