

Statement of
Wm. McC. Martin, Jr., Chairman,
Board of Governors of the Federal Reserve System
before the
House Committee on Banking and Currency
on H. R. 11499

June 11, 1964

The Board of Governors of the Federal Reserve System recommends prompt enactment of H. R. 11499, which would extend for another two years the authority of the Federal Reserve System to purchase up to \$5 billion of special securities direct from the Treasury.

This direct borrowing authority is an operating convenience which, while seldom used in recent years, has contributed to flexibility in the Treasury's management of the public debt. Its use in the past has avoided needless strains in the banking system immediately preceding tax payment dates. Even when not used, it has enabled the Treasury to operate with lower cash balances than would otherwise have been feasible, and has provided added leeway in timing new offerings. Furthermore, it is always possible that we may find ourselves in an emergency in which the availability of this sort of "standby" financing would be very important.

Borrowing under this authority has been temporary as well as infrequent. It has been confined to its proper role as a useful tool of debt management, and has not been used as a lever to induce financing of Government deficits through unwarranted expansion of Federal Reserve credit.

The statutory provisions which this bill would continue require that the details of all transactions directly with the Treasury be reported in the Annual Report of the Board of Governors. I should also like to add that such borrowing, when it is outstanding, is reported separately in the weekly statement of condition of Federal Reserve Banks.