

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

*Gov. Eccles*

**Office Correspondence**

Date January 29, 1951.

To Members of the Board

Subject: \_\_\_\_\_

From Governor Vardaman

It is my understanding that Chairman McCabe was invited to appear on behalf of this Board before the Committee on the Economic Report and that Chairman O'Mahoney announced at the opening of the hearing when Governor Eccles testified, that Governor McCabe was unable to attend because of illness and absence from the city and that Governor Eccles would appear in his place. In spite of Governor Eccles' statements that he was speaking for himself personally and not for the Board, the impression seems to be that he was, unofficially at least, expressing the Board's opinion.

As a Board member I had no notice that the Chairman had been officially requested to appear before this committee. If I had had such notice I would have urged that the Chairman or some spokesman for the Board appear before the committee and make a statement substantially as follows.

"The Federal Reserve Board has made its recommendations to the Secretary of the Treasury in connection with the interest rate on short-term Government obligations and also with reference to the interest rate and maturities on funding and refunding bonds. In the exercise of his statutory authority and obligation, the Secretary has not thought it wise to follow all of the suggestions made by this Board in connection with these matters. Acting in his official capacity, as the spokesman for the Government, the Secretary has announced a financing program, and this Board has nothing further to say on the questions involved other than to state quite firmly and clearly that the Board will support to the fullest extent of its authority the program as officially promulgated by the United States Treasury.

"Whenever it is in line with its statutory authority to do so the Board will advise with the Secretary on all matters relating to the management of the public debt or any other questions which he may desire to discuss. But it should be clearly understood that under our constitutional framework and present statutory laws, the management of the public debt is the responsibility of the Secretary of the Treasury, and this Board will support him to the utmost of its ability in his officially declared programs and actions.

"We believe the duty of this Board to be to make its ideas available and known in council, but not to make such ideas prevail and the Board will act in accordance with this belief in the present situation."

Under no circumstances should this Board be guilty of endeavoring to bring outside pressure to bear in an effort to have its way.

It is my intention to offer a motion in the meeting of the Board on Tuesday, the 30th, to request the Chairman to make a public statement similar to the above, on behalf of this Board at the earliest appropriate moment.

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