

May 10, 1960.

Mr. Alfred Hayes,
President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Al:

Thank you for your letter of May 6 with respect to my comments regarding the guarding of the integrity of the Desk at the Federal Reserve Bank of New York and minimizing any chance of people charging the Desk with favoritism to one group or another contained in the hearings before the Joint Economic Committee on February 2.

I want to assure you that I was not suggesting that the integrity of those officials connected with the Desk was open to question. On the contrary, I was attempting to make clear that limitation by Open Market Committee policy of the discretion permitted to grant or deny favors was a protection to such officials and to the System. Clearly, it would be unfortunate, and indeed unfair, for these officials to be exposed unnecessarily to rumors and suspicions that they either can or do exhibit favoritism. The best protection against such ill-founded criticism is to point out that they cannot. Hence I do feel that one of the best answers I have been able to give has been the limited scope of the actions of the Desk and our emphasis on trading in short-term securities, preferably bills. In my mind, and I should cite it just as clearly as your people have stated the contrary view, trading in bills only constitutes an important safeguard vis-a-vis the public in connection with System activities.

I am glad you wrote me about this so you can give this letter to anyone who may have misunderstood my remarks as a clear indication of my confidence in their integrity.

Sincerely yours,

SIGNED: Wm. McC. Martin, Jr.
Wm. McC. Martin, Jr.

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