

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

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ECCLES BOARD

CONFIDENTIAL

A PARAGRAPH READING SOMEWHAT AS FOLLOWS MIGHT CARRY OUT IDEAL,  
SUGGESTED IN OUR TELEPHONE CONVERSATION LAST WEEK:

*copy*  
" IN THE MONETARY FIELD WE STILL FACE PROBLEMS GROWING OUT OF THE  
FINANCING OF THE WAR, AND THE DISRUPTION OF OUR CIVILIAN ECONOMY  
WHICH THE WAR EFFORT MADE NECESSARY. THE SUPPLY OF  
PURCHASING POWER IN THE HANDS OF THE PUBLIC HAS BEEN  
GREATLY INCREASED , WHILE THE SUPPLY OF GOODS AND SERVICES  
AVAILABLE TO THE PUBLIC HAS BEEN AND STILL  
IS RESTRICTED. THIS UNBALANCE IS A CONSTANT INFLATIONARY THREAT.  
IT CAN AND SHOULD BE CORRECTED, PRIMARILY, BY CONTINUED  
GROWTH IN PRODUCTION AND IN  
THE EFFICIENCY OF PRODUCTION. MEANWHILE, HOWEVER, IT MUST BE  
OUR PURPOSE TO SEE TO IT THAT NO UNNECESSARY EXPANSION OF CREDIT  
CONTRIBUTES TO A FURTHER UNBALANCE AND,

SHEET TWO

SO LONG AS POWERFUL INFLATIONARY TENDENCIES PERSIST, TO BRING ABOUT A CONTRACTION OF THE MONEY SUPPLY WHENEVER WE CAN APPROPRIATELY DO SO. THE PRINCIPAL MEANS AVAILABLE TO THE GOVERNMENT, FOR THESE PURPOSES, ARE FISCAL POLICY, DEBT MANAGEMENT, AND CREDIT CONTROL; AND RESPONSIBILITY WITH RESPECT TO DEBT MANAGEMENT AND CREDIT CONTROL HAS BEEN LODGED, RESPECTIVELY, WITH THE TREASURY AND THE FEDERAL RESERVE SYSTEM. PROPER DISCHARGE OF THEIR RESPONSIBILITIES WILL REQUIRE CONTINUED CLOSE COOPERATION BETWEEN THE TREASURY AND THE FEDERAL RESERVE SYSTEM, CONTINUED INTEGRATION OF DEBT MANAGEMENT AND CREDIT CONTROL. IT IS ESSENTIAL, THEREFORE, THAT EXISTING LEGISLATION WHICH FACILITATES SUCH COOPERATION AND INTEGRATION BE CONTINUED, AS A CONTRIBUTION TO THE SOLUTION OF OUR IMMEDIATE PROBLEMS FOR THE LONGER FUTURE, IT IS IMPORTANT THAT THERE BE CONSIDERATION OF POSSIBLE CHANGES IN LEGISLATION WHICH WILL ENABLE OUR MONETARY AUTHORITIES BETTER TO PERFORM THE TASKS WHICH HAVE BEEN ASSIGNED TO THEM BY THE CONGRESS."

SPROUL.