

August 15, 1944.

Chairman Eccles

Mr. Smead

This refers to your telephone conversation with respect to a prompt reduction in the production of Federal Reserve notes at the Bureau of Engraving and Printing.

For the past several years the volume of currency has been increasing at the rate of about \$5 billion a year and practically all of this increase is in Federal Reserve notes, which on August 9 constituted \$19,159,000,000 of the total money in circulation of \$22,910,000,000. Redemptions of unfit Federal Reserve notes are now at the rate of about \$2,600,000,000 a year. Our present stock of unissued Federal Reserve notes of the current series (not including the gold clause notes) on hand is as follows:

At the Bureau of Engraving and Printing in Washington	\$7,308,240,000
In the vaults of the Federal Reserve Agents	<u>2,868,073,000</u>
Total	\$10,176,313,000

Of this total stock about \$3,600,000,000 is in denominations of \$100 and above.

On the basis of current requirements this stock of Federal Reserve notes would last about one and a half years. When the need for notes of the several denominations at each of the Federal Reserve Banks is taken into consideration, the stock is not relatively as great as would appear from the total figures. While about a year ago we had difficulty in maintaining our stocks of unissued Federal Reserve notes at a level considered to be adequate, this situation no longer exists and it is believed that we can safely permit a substantial reduction in the existing stock of Federal Reserve notes. The Director of the Bureau of Engraving and Printing suggests that we do not make a drastic cut in the delivery order at this time but that the order be tapered off gradually, say at the rate of 250,000 sheets a month. We plan to reduce the September delivery schedule accordingly.

To Chairman Eccles

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I will discuss the currency problem with Mr. Young of the Federal Reserve Bank of Chicago who is Chairman of the Presidents' Conference Committee on Currency Hoarding, and with the Treasury Department. After this a detailed printing program will be worked out for the remainder of the fiscal year. In this connection it is understood that the point that the Director of the Bureau of Engraving and Printing, Mr. A. W. Hall, stressed in his talk with Mr. Bell is the overcrowded condition of the Federal Reserve note vault at the Bureau of Engraving and Printing. Steps were taken some time ago to relieve this situation by requesting some of the Federal Reserve Agents to build up their stocks at the Banks and it is our intention to continue this policy.

August 16, 1944.

Governor Szymczak

Chairman Eccles

The attached memorandum from Mr. Smead and copy of letter to Dan Bell are the result of a telephone call from Dan Bell. Mr. Bell was concerned about the large stock of Federal Reserve currency which was accumulating in the Bureau of Engraving and Printing as well as in the vaults of the Federal Reserve Banks. He felt that when the expansion of currency ceased, the Federal Reserve Banks might make a drastic cut in delivery orders and that such a situation should be anticipated and the delivery orders gradually tapered off so as to prevent a further addition to the present stock of unissued Federal Reserve notes and bring about a reduction as soon as possible. This would assist the Bureau to adjust gradually rather than precipitously to a reduced employment situation.

I believe you will find Mr. Smead's memorandum self-explanatory.

Attachments 2

MSE:VE:b

August 16, 1944.

Honorable D. W. Bell,
Under Secretary of the Treasury,
Washington 25, D. C.

Dear Dan:

With reference to your telephone conversation the other day relative to reduction in the production of Federal Reserve notes, I took the matter up with Mr. Smead. I am enclosing a copy of the memorandum I just received from him, which I think you will find self-explanatory.

I trust the manner in which the situation is being met is satisfactory to you.

Sincerely yours,

M. S. Eccles,
Chairman.

Enclosure

MSE:VE:b