

Office Correspondence

Date January 18, 1946

To Chairman Eccles

Subject: Relations of Mr. Rouse with

From L. M. Piser

the Treasury

The following is my understanding of your views regarding the relations of Mr. Rouse with the Treasury about which you spoke to me on the phone on January 16 and which you asked me to put in writing:

Mr. Rouse told me over the phone last week that he had discussed with Mr. Bartelt the present high level of the Treasury cash balance and had suggested that the Treasury might redeem in cash a portion, perhaps one-fourth, of the certificates that mature on February 1 and all of the bond issues that are callable within the next few months. In the open market report for the week ending January 9, Mr. Rouse reported that despite the telephone strike the dealers felt that the Government security market should remain open, that the New York Reserve Bank concurred in this opinion, and that the Secretary of the Treasury on being informed of these opinions also concurred. In both cases Mr. Rouse reported afterward his conversations with the Treasury in which he had made policy suggestions.

As a matter of organization and not of prerogative, all policy suggestions should be made to the Secretary by the Chairman of the Executive Committee. The personal opinions of advisors to the Executive Committee should not be made available to the Secretary. This should be made clear to Mr. Rouse by Mr. Sproul.

An alternative to the present arrangement would be for the Manager of the System Account to be made an officer solely of the Open Market Committee and not an officer of both the Committee and the New York Bank, where he also acts as fiscal agent. Question also may be raised as to whether or not open market operations should be reported in detail to the directors of the Reserve Banks.

1/23/46
Subject
to Sproul
about this
matter &
he agreed to
with Rouse
MVP

