

While this was never sent to the  
Secretary, the Chairman wanted the  
material filed.

*Hold in Files  
C. C. [unclear]*

Chairman Eccles

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

February 13, 1946

Mr. Thomas:

I believe these excerpts cover the proposals to increase the bill rate.

If the Chairman wants to send this to the Secretary, I would suggest a letter similar to the attached draft. I know that the Treasury and members of the committee are interested in the record, but I don't think much good will be accomplished by arguing the record ~~at~~ the Treasury. Secretary Vinson might be interested, however, in studying the reasons underlying our proposals for an increase in the bill rate. For this reason, I think the letter sending over the excerpts should be<sup>a</sup> rather personal and friendly one from the Chairman.

DM

February 13, 1946

DRAFT

Honorable Fred M. Vinson,  
Secretary of the Treasury,  
Washington 25, D. C.

Dear Fred:

Following our recent discussions at the Treasury, I had a review made of our files to obtain the record on our recommendations for changes in the bill rate. After going over the files, I am more than ever convinced that our recommendations were well considered and if adopted would have gone a long way to overcome some of the difficulties encountered in maintaining the pattern of rates, would have reduced the playing of the pattern of rates, and would have obtained a wider distribution of short-term Government securities.

In looking again at the complete record, I am convinced that these proposals would have resulted in an interest saving to the Treasury, rather than <sup>an</sup> increase in costs. Particularly is this true of the proposal to substitute  $3/4$  per cent, 9-month, bills for 3-month bills and  $7/8$  per cent certificates. Since these proposals were not adopted, however, it is of little value to argue that they would reduce or that they would increase Treasury costs. My only interest in reviewing this matter at this time is to assure you again that the Federal Reserve is not interested in higher rates as such, and on the contrary, in view of the size of the debt, is interested in holding down the interest cost. We feel, however, that this can and should be done without further monetizing the debt.

Since you have expressed interest in our recommendations during the war for increases in the bill rate, you might like to read the attached copies of memoranda which pretty well cover our proposals.

Best of wishes

Sincerely,

M. S. Eccles,  
Chairman.

Enclosures.