February 7, 1947.

Honorable John W. Snyder,
Secretary of the Treasury,
Treasury Department,
Washington, D. C.

Dear Mr. Secretary:

In response to Mr. Bartelt's request, I am transmitting to you the current views of the Executive Committee of the Federal Open Market Committee with respect to the debt retirement program.

The Executive Committee repeats its recommendations of January 10 for retirement in full of the March 15 note issue of 1.9 billion. The Committee now considers it desirable as well to pay in cash at least 1 billion of the March 1 certificate issue.

Expenditures during the month of January have been considerably lower and receipts higher than had been expected. Because of this and the retirement of only 1 billion dollars of February 1 certificates, it is now estimated that the Treasury balance at the end of February will be at 5.3 billion dollars. If cash payments in March were limited to the March 15 note issue of 1.9 billion, the Treasury balance at the end of March would still be close to 5 billion, not counting 800 million dollars of free gold derived from Monetary Fund transactions. With total cash payments on March maturities of 2.9 billion, including 1 billion dollars of March 1 certificates, it is estimated that the Treasury balance at the end of March will be approximately 3.8 billion, excluding 800 million dollars of free gold. This will be fully adequate to meet requirements for the last quarter of the fiscal year.

If actual expenditures for the fiscal year as a whole fall short of the revised budget estimate of 42.9 billion, as appears likely, some further debt retirement may well be possible in the second quarter.

Throughout February and March, the Treasury's balance with the Federal Reserve Banks will be swollen by heavy tax receipts. Accordingly, it will be possible to pay for the March 1 retirement out of these balances, thereby providing an offset to the preceding loss of reserve funds from tax payments. Also, it will be possible to finance a substantial part or about 1 billion of the March 15 retirement out of the Treasury balance with the Federal Reserve. The Committee recommends that the remainder be financed by call on war loan deposits rather than by monetization at this time of the 800 million dollar gold obtained from Monetary Fund transactions. Even without such monetization, the recommended program will more than offset losses of reserves due to tax payments during the month of March.

With kindest regards, I am

Sincerely yours,

M. S. Eccles, Chairman,
Federal Open Market Committee.

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