

TO \_\_\_\_\_

FROM \_\_\_\_\_

REMARKS:

The attached letter handed to the Secretary of the Treasury by Chairman Eccles at a meeting at 10:00 a.m., August 7, at the Treasury with the Secretary, Mr. Wiggins and Mr. Bartelt.

CHAIRMAN'S OFFICE

August 7, 1947.

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

Dear John:

The Treasury's refunding program for September and October maturities was discussed at yesterday's meeting of the Executive Committee of the Federal Open Market Committee. The Committee recommends that the certificate issue maturing on September 1 be refunded into a 10-months  $7/8$  per cent certificate, to be followed by a refunding of the  $1\ 1/4$  and  $1\ 1/2$  per cent notes maturing on September 15 into a 12  $1/2$  months 1 per cent note and a refunding of the certificates maturing on October 1 into a 12-months 1 per cent certificate. This program would provide for a gradual upward adjustment in the certificate rate and would lead to a convenient spacing of certificate maturities in the second half of 1948 including 6.1 billion dollars to mature on July 1 and 5.8 billion dollars to mature on October 1. The refunding program for October and November of this year might then be adjusted to provide for a further maturity on December 1, 1948.

As an alternative to the above program, the certificates maturing on September 1 might be refunded into a 13-months 1 per cent note, this new note to be made available as well to the holders of notes maturing on September 15, after allowance for an interest adjustment. The subsequent refunding of the October 1 certificates would be into a 12-months 1 per cent certificate. While this second alternative would be acceptable to the Committee, the previously mentioned approach would be preferable. It would provide for a more gradual stepping up of the certificate rate on September 1; would have the advantage of abandoning the  $7/8$  per cent rate in connection with the refunding of notes rather than of certificates, and would provide for a better spacing of certificate maturities in the second half of 1948. The Committee believes that a program of this kind would be best suited to accomplish a gradual upward adjustment in the certificate rate with a minimum of disturbance in the price of outstanding certificates. In following up the program, the Committee

Hon. John W. Snyder

- 2 -

hopes that sufficient progress can be made on the issuance of a G-type bond prior to the October 15 maturity of  $4\frac{1}{4}$  per cent bonds, thus making available funds with which to make cash payments on that issue.

If full exchange offers are made on September 1, September 15 and October 1 maturities as provided for in this program, it appears on the basis of present estimates that Treasury funds will be sufficient throughout the month of September to meet current needs. Allowing for voluntary cash redemptions of maturing issues and substantial cash payments on terminal leave bonds, it is estimated that cash in the Treasury balance for the end of September will still be close to 1.5 billion dollars. Should a temporary need for funds arise prior to the inflow of tax payments in the second half of that month, due to heavier redemptions on terminal leave bonds or for other reasons, the Committee suggests that the Treasury make use of the overdraft provision with the Federal Reserve. Also, the Committee shall be glad to discuss a possible increase in the weekly issue of Treasury bills, should a need for funds arise later on.

Sincerely yours,

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

RAM:mv

FILE COPY

THE UNDER SECRETARY OF THE TREASURY  
WASHINGTON

August 14, 1947

Dear Marriner:

For Secretary Snyder I acknowledge your letter of August 7th containing suggestions for the September financing program of the Treasury.

In the preparation of the program, we conferred freely with members of the staff of the Board of Governors and with Mr. Rouse and his assistant, and have given careful consideration to all of the suggestions contained in your letter and of the comments of these men.

We believe that with one exception the program finally adopted represents the unanimous judgment of all who participated in these conferences.

The September financing program will be announced in the morning papers on Monday, August 18th.

We appreciate the fine cooperation between the Federal Reserve and the Treasury toward the common objectives of soundly administering the public debt.

Sincerely,

(Signed) A. L. M. Wiggins.

A. L. M. Wiggins,  
Under Secretary of the Treasury.

Honorable M. S. Eccles, Chairman  
Federal Open Market Committee  
Federal Reserve System  
Washington, D. C.