

Mr. Eckels

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 13, 1948.

CONFIDENTIAL

Dear Sir:

Attached is a copy of a letter sent today to Secretary of the Treasury Snyder in accordance with the discussion at the meeting of the executive committee of the Federal Open Market Committee on September 8, 1948.

Very truly yours,

Chester Morrill

Chester Morrill, Secretary,
Federal Open Market Committee.

open mkb file

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
(with copy to Mr. Rouse)

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

September 13, 1948.

Honorable John W. Snyder,
Secretary of the Treasury,
Washington 25, D. C.

Dear John:

Last week we had a meeting of the Executive Committee of the Federal Open Market Committee to consider open market operations in the light of the then contemplated action by the Board of Governors with respect to reserve requirements. In discussing both of these areas of credit control, of course, we took into account the position of the Treasury during the remainder of the year, and the probable effect of its operations on the supply of funds available to the banking system.

I think we are all pretty much in agreement that Treasury operations during the remainder of the year will probably be a neutral factor; that there is no likelihood of the maintenance of that substantial and steady pressure on the market which has been exerted by fiscal and debt management policy during the earlier months of the year. To continue the latter policy in principle, however, and to correlate Treasury policy with the steps which the System is taking in the credit field, would still seem to be essential to attainment of our mutual objective. In the opinion of the committee this suggests at least two things as part of present planning. First, it suggests that the Treasury seek to maintain its balances with the Federal Reserve Banks at about the level expected at the end of the month, i.e., \$1,750 million, drawing on its war loan balances, as far as practicable, to meet its continuing needs for funds. Second, it suggests that plans be laid now to refund rather than to retire the \$571 million issue of bonds which has been called for December 15th. Both of these suggestions have in mind, of course, the importance of avoiding any unnecessary payment of funds into the market at a time when we are trying to keep the reserve position of the banks under pressure and to restrain further expansion of bank credit. If during the remainder of the year, and particularly during the month of October, funds do become available to the Treasury which can be used for the retirement of debt, we strongly urge that these funds be used to retire Treasury bills held by the Federal Reserve Banks.

The committee wished me to bring these views to your attention and to emphasize its concern with them. Sometime in

Honorable John W. Snyder

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the near future Mr. Sproul and I, in behalf of the committee, would like to discuss these and other matters with you.

With warmest regards,

Sincerely,

(Signed) Thomas B. McCabe

Thomas B. McCabe, Chairman,
Federal Open Market Committee.