Smith 10/21/47

Mr. Bartelt called me on the telephone. The Treasury wants to make a decision on the retirement of October 30 bills tomorrow morning, and Mr. Bartelt is anxious to get Chairman Eccles' views concerning the following program:

(1) Retire 100 million of bills each week for six weeks, beginning Nov. 6 and making 600 million in all.

(2) Retire the approximately 1.1 billion of Nov., Dec., and Jan. certificates held by the Federal Reserve.

(3) Retire the Nov., Dec., and Jan. certificates held outside the Federal Reserve that normally will not be exchanged, together with savings notes, altogether amounting to about 700-800 million.

(4) Balances would be as follows:

	At Reserve Banks	War Loan Accounts	Gold	Cash Balance
Oct. 31	1.1	1.3	1.0	3.4
Nov. 30	1.1	.8	1.0	2.9
Dec. 31	1.3	.4	1.0	2.7
Jan. 1	.5	.4	1.0	1.9

This is roughly consistent with our own figures. It is proposed to call another 400 million dollars before the end of October in addition to the 397 already announced to build up the Treasury balance with the Federal Reserve by 200 million and to retire on a 400 million instead of 600 million in bills during November. The effect on reserves is the same for the month as a whole.

His plan to redeem about 1.7 of securities held by the Federal Reserve, together with normal redemptions of another .7 or .8 billion is consistent with our estimates of 2.5 billion available for redemption.

Attached is a weekly analysis showing our estimates of balances, retirement, and the effect on reserves. The latter is fairly smooth until December.

One cannot accurately forecast other factors affecting money market by weeks. The important thing is simply to get started and make retirement contingent upon conditions.