

April 13, 1944

Chairman Eccles

Supplementary memorandum on bills

L. M. Fiser

I talked with Mr. Rouse and Mr. Harris this morning regarding the proposal for issuing three-month and five-month bills. The technical difficulty that Mr. Sproul mentioned apparently is the fact that the amount of maturities each week would vary to some extent. In any one week, the maturity of three-month bills would be the amount of the System's maturity that had been replaced three months previously. The amount of five-month bills would be the amount that was sold to the public five months previously, which in turn would equal the total amount sold five months previously less the System's maturity at that time. In checking over the figures, however, it seems to me that the differences in weekly maturities would be relatively minor, perhaps not more than 100 million dollars from week to week, and these differences could be adjusted either by variations in the weekly offerings or in the outstanding amount of bills. This difficulty does not seem to me to be sufficiently important to argue against the proposal.

A more fundamental objection that Mr. Rouse mentioned and that I had mentioned to you on the phone last Friday is that dealers would be requested each week to place bids for three-month bills not in accordance with a request by the System as fiscal agent but in accordance with the maturities in the System Account and the views of the executive committee as to money market conditions. Considerable stress was placed by the executive committee upon the desirability of confining requests to dealers to place tenders as a fiscal agency operation handled under instructions from the Treasury. The executive committee was insistent that it have no part in such an arrangement. Under the proposed program, however, the executive committee would either determine the amount of replacements each week or would delegate to the Treasury a money market function. If you still feel that this objection is not important, however, I can see no technical reason to abandon the idea.

