

September 20, 1944

To: Chairman Eccles

From: L. M. Piser

The following quotations are taken from the Treasury memoranda that I am now in the process of summarizing:

".... It is important that Federal Reserve acquisitions in the market not be held off until banks are forced by shortages of reserves to unload some of their securities, thereby creating a weak tone in the market. Rather the Federal Reserve acquisitions should be timed so that the market is at all times in a vigorous mood. The best way to insure this is to provide an increasing supply of Treasury bills for the Federal Reserve to absorb."

"..... If there is no Treasury bill program, or only a small one, commercial banks will be under the constant necessity of replenishing their reserves by the sale of securities directly or indirectly to the Federal Reserve Banks. This will put them in a selling, rather than a buying, frame of mind; and, consequently, will make for a tighter money-market all around."

"..... an increase in bill volume will help maintain the general ease of the money market, and so will hold down the cost of other borrowing."

LMP:mhe