

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date July 10, 1947

To Chairman Eccles

Subject: Treasury Refunding Program

From Woodlief Thomas

Ted Goldsmith told me yesterday that he had a conversation with Under Secretary Wiggins in which they discussed the immediate refunding program. He reminded Mr. Wiggins that he had been informed some time ago by Messrs. Snyder, Wiggins, and Bartelt that decision to unpeg the bill rate was contingent upon decision regarding further rise in the certificate rate. Mr. Goldsmith also suggested that issuance of a short or medium-term bond or note at this time at prevailing rates will make it impossible to raise certificate rates in the near future without putting the new issue below par, a development which Mr. Wiggins has indicated he would not like. He pointed out, therefore, that the Treasury has to follow one of three courses:

1. Offer a new issue at prevailing rates and continue indefinitely the peg on certificates,
2. Refund maturing issues with 7/8 certificates, or
3. Unpeg the certificate rate promptly.

Mr. Wiggins, of course, gave no indication as to the course they will follow.

WT:pb