

February 28, 1947.

Mr. Goldsmith called and dictated the following questions over the phone which are to be asked the Chairman by Mr. Talle, of Iowa. Mr. Goldsmith said to tell you that Mr. Talle knows that the Chairman knows what questions will be asked by him.

1. I read your annual report published last June with much interest. I gather the Board fears further monetization of the public debt by the banks. I refer to the possibility that banks might shift from short into longer term maturities and thereby monetize the debt on the six-to-one ratio which was referred to in your report. You ask for additional powers to limite the maturities of marketable securities the banks could own, in that report, and I just want to know if you are pushing for legislation along that line at this time.

2. The Board's annual report forcefully rejected proposals that the Open Market Committee unpeg short-term money rates in order to prevent further monetization of the debt. I read a speech you made in Boston last October in which you were very definitely opposed to any unpegging of short-term interest rates. I have also read a paper by Mr. Allan Sproul, Vice Chairman of the Open Market Committee, taking exactly the opposite point of view. I understand that Mr. Sproul feels that we should ultimately unfreeze rates in order to prevent further monetization of the debt. I wondered whether you would like to express your present position on this entire question.