TREASURY DEPARTMENT
FISCAL SERVICE
WASHINGTON 25

March 26, 1951

TO MR. MARTIN:

At Governor Szymczak's request, I am passing along to you the gist of a telephone conversation. He said that he had decided to vote for the conversion of all of the June and December 1967-72s held in the Federal Reserve Open Market Account for the new 2-3/4% nonmarketable bond, with the understanding that the 2-3/4s would be exchanged for 1-1/2% 5-year marketable notes from time to time and in such amounts as may appear appropriate for the needs of the Open Market Account.

I don't know what reasons he gave you concerning the basis for his decision, but he did ask me to pass along to you what he called a couple of additional reasons why he thinks the Federal Reserve should convert all of its 1967-72s into the new 2-3/4% bond. The two additional reasons are (1) the psychological effect which a complete conversion by the Federal Reserve would have on other investors, and (2) the fear which some security holders might have if the Federal Reserve should hold a large amount of the 1967-72s in the Open Market Account, subject to later sale on the market.

The other day I sent to you a memorandum of the Federal Reserve dated March 21, 1951, giving the advantages and disadvantages of converting the 1967-72s into the new 2-3/4% bond.

E.F.B.

Fiscal Assistant Secretary