

November 2, 1950

Dear Tom:

Thanks a lot for yours of October  
thirty-first, with the enclosure. I enjoyed  
the meeting with you and John very much. I  
am very fond of both of you and I don't want  
any split between you.

Sincerely yours,

HARRY S. TRUMAN

Honorable Thomas B. McCabe  
Chairman  
Board of Governors of the  
Federal Reserve System  
Washington, D. C.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

OFFICE OF THE CHAIRMAN

October 31, 1950.

~~PERSONAL AND  
CONFIDENTIAL~~

~~DETERMINED TO BE  
AN ADMINISTRATIVE  
MARKING~~  
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Dear Mr. President:

I am deeply grateful to you for arranging the conference with John Snyder and me last Thursday. I admired your patience in granting us so much time and your understanding of our complex problems.

Following the conference, I asked the Open Market Committee to meet here today, and I am happy to tell you that the vote was unanimous in support of the letter which I have sent to John, a copy of which is enclosed for your information.

May I repeat what I have said to you several times, that I do not know how I could ever have carried on in my job without your wholehearted support and the warmth of your friendship.

Sincerely,

  
Thomas B. McCabe.

The President,  
The White House.

Enclosure

October 30, 1950.

Honorable John W. Snyder,  
Secretary of the Treasury,  
Washington 25, D. C.

Dear John:

Since our meeting on Thursday, October 26, a meeting of the Federal Open Market Committee has been held. The Committee has been and is in complete agreement that under present conditions it is necessary to protect the 2-1/2 per cent rate (par) on the longest term Treasury bonds now outstanding. The Committee's policies have been determined in accordance with that conclusion.

For the reasons outlined in my letter of October 16, 1950, the Committee is convinced that continued flexibility in the short-term money market is essential to carrying out an effective credit policy. It believes, however, that for the present the market yield on Government securities on a one-year basis (now about 1-1/2 per cent) may have worked as high as is necessary in the light of present economic conditions and as high as it can without having such an impact on the market for the longest term Government securities as might interfere with our policy of credit restraint. Accordingly, for the present, the Committee will endeavor to maintain an orderly and flexible market within a maximum of 1-1/2 per cent per annum for any securities maturing within one year.

If further inflationary or market forces should develop at any time in the future which would make it necessary for the Committee to reconsider these decisions, we would, of course, feel it desirable and compelling to seek your counsel. In the meantime, we should like to consult with you freely concerning our mutual problems in the light of market developments and the general credit situation.

With warmest regards,

Sincerely,

(Signed) Tom.

Thomas B. McCabe,  
Chairman.