

COPY

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON 25, D.C.

EDWIN G. NOURSE, CHAIRMAN
LEON H. KEYSERLING, VICE CHAIRMAN
JOHN D. CLARK

November 25, 1947

Dear Mr. President:

We are much disturbed by the indication which we find in the Congressional hearings this morning that the Administration may not propose a vigorous policy of limiting bank credit by increasing the bank reserve requirements.

Two of the basic factors in your anti-inflation program are: (a) the creation of the largest possible Government surplus, and (b) the contraction of bank credit. In his statement to the Joint Committee on the Economic Report this morning, Mr. Eccles emphasized the point that he does not speak for the Administration in recommending a vigorous policy to attain the second objective by raising bank reserve requirements. At the same time, Secretary Snyder was telling the House Committee on Banking and Currency that he was making no recommendation in this respect. His subsequent comment upon the effect of contraction of bank credit upon the debt management policy leads us to fear that the Administration may not present an effective plan to restrict bank credit.

In our most recent meeting with you, we recognized that such a program will itself create difficult problems. We consider it, however, an essential element in any anti-inflationary plan, second only to the maintenance of high levels of taxation and the rigid reduction and postponement of public expenditures.

Respectfully yours,

Chairman

Vice-Chairman

The President
The White House