

Office Memorandum • UNITED STATES GOVERNMENT

TO : Secretary Snyder
 FROM : Leon M. Siler *WLS*
 SUBJECT: Credit control-interest rate publicity.

DATE: September 11, 1950

Almost all of the newspaper and magazine publicity last week on the supposed conflict between the Treasury and the Federal Reserve System was of the "professional" variety, emanating from either business and financial publications or from business and financial writers. There was no editorial comment on the subject by non-business and non-finance publications.

We checked 15 representative newspapers published outside the New York-Philadelphia-Washington area.

Following is a summary of the "professional" publicity which appeared during the week:

WASHINGTON POST - series of 3 articles by J. A. Livingston (attached): These contain much historical material, describing the "rift" as of long standing and describing it as a "Battle of institutions and institutionalized thinking." Livingston said the issue has to be clarified by the end of the year and the Reserve is bound to win the fight unless the President throws his weight to Secretary Snyder.

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NEW YORK TIMES: Financial writer Edward H. Collins accused the Treasury of "an appeasement policy toward inflation," whereas the Federal Reserve, "ever alert," has been "pursuing a deliberate if cautious anti-inflation policy." He thought the Treasury had handled its debt management job "with a good deal less than conspicuous success;" the Treasury is "like a spoiled child" in insisting on its right to place any interest rate it wishes on its security issues.

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NEW YORK JOURNAL OF COMMERCE: An editorial in this paper dwelt on "disunity in the Government." It said the Federal Reserve has seen its carefully laid plans to combat inflationary trends, and its open market operations to that end, almost nullified by the Treasury. The quarrel boils down to the question of who will fix money rates, the Treasury or the Federal Reserve. The paper thinks it is the Federal Reserve's job. "After it is all over, the Federal Reserve will have prevailed, and the higher rates now quoted will be those that the Treasury must pay on its next offering." The editorial suggests that the Secretary "got bad advice."

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NEW YORK HERALD TRIBUNE: George Wanders questioned the timing of the Federal Reserve's action, since the threat of inflation has been evident for months and an earlier advance of discount rates would have avoided the concurrence with the huge Treasury refinancing operations. He says many informed observers believe the Federal Reserve merely fired a pop gun while waiting for Congressional action on selective controls. History suggests strongly, he notes, that in a show-down the national Treasury will come out on top. In financial circles the Federal Reserve position "meets with some approval."

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U. S. NEWS AND WORLD REPORT: This magazine says very briefly that the prospect is the Federal Reserve will succeed in its efforts to push up interest rates.

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BUSINESS WEEK: This magazine notes the Federal Reserve-Treasury "dispute" rather casually in an article on the broader subject of the new general controls.

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AMERICAN BANKER: This paper says editorially that bankers have real power to stop inflation by curbing loans; the interest rate is only secondary or symptomatic factor.

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The financial sections of the newspapers have been featuring the Federal Reserve's purchases of the maturing Treasury obligations.

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Attachments