

To —

Elliott Thurston Esq.,

Personal

Elliott: -

I am particularly interested in his statement: -

"It would not surprise me, therefore, if pretty soon the inflationary factors should again appear on top." This seems like more argument in favor of a waiting attitude on margin requirements.

Also - in the last line, isn't it a pretty thin line "between" protecting the market for government securities but not pegging it."?

It is amazing what a change in the face of the globe has taken place between Dec. 2nd (the date of his first letter) and Dec. 16th, the date of his second letter - just 2 weeks apart!

I long for the days of Horatio Nelson, Admiral of the Fleet and victor at Trafalgar who, in spite of his many faults, had a mind of his own! END

*23 Wall Street
New York*

R. C. LEFFINGWELL

December 2, 1946

Dear Mr. Chairman:

I have just had an opportunity to read your Boston speech of October 23rd in the Federal Reserve Bulletin for November. I had of course seen newspaper accounts of it, which however were not very adequate.

Now that I have read the speech as a whole I wanted to congratulate you upon it. I find myself in very general agreement with your views and policies as outlined in this speech, at least so far as concerns conditions at the present time. I am unable to discover whether the complexity of conflicting forces operating on our economy will be inflationary or deflationary on the whole. I don't see how anybody can tell indeed, while so much remains unsettled and unsettling in the foreign and in the domestic field. So, though six months ago I favored taking the peg out from under Treasury bills and certificates, I should not favor any change at the present time, or any change in margin requirements, or any further change in installment selling restrictions. This is no time to take steps calculated to stimulate either inflation or deflation, or for taking any of the more direct measures recommended in the ^{Federal Reserve} Annual Report.

Taken all together, I am saying in a long-winded way what I began to say briefly. I congratulate you on an admirable statement of policy.

Faithfully yours

Hon. M. S. Eccles
Chairman, Board of Governors
Federal Reserve System
Washington, D. C.

December 4, 1946.

Dear Mr. Leffingwell:

As you know from our past correspondence, I have great respect for your opinions because of the wealth of experience you have had both in public and private life and because your approach to public questions is both enlightened and constructive.

I am willing to concede that even when we may not see eye to eye. I am, of course, sure of it when our viewpoints coincide as closely as is indicated by your letter of December 2. It is most gratifying and heartening. Needless to say, I greatly appreciate it.

Sincerely yours,

Mr. R. C. Leffingwell,
23 Wall Street,
New York City.

ET:b

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23 Wall Street
New York

December 16, 1946

R. C. LEFFINGWELL

Dear Mr. Chairman:

It was most gracious of you to send me that charming letter of December 4th. It is a poor return for your kindness to bother you with another letter from me, but I feel sure you won't mind.

I should like to elaborate just a little bit on what I said in my last letter to you about not taking the peg out from under Treasury bills and certificates at the present time. Last May I thought the peg should be taken out. I still think it would have been a good idea to do it then.

But when I wrote you on December 2nd, the situation was obscure. It was not clear whether inflationary or deflationary forces were dominant. I thought it would not be at all prudent to take the peg out then.

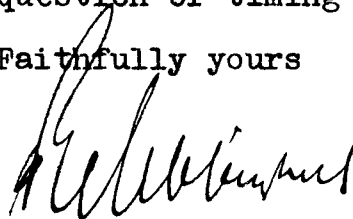
But sooner or later the time should come to do it. Already, international relations and labor relations, which were discouraging, have improved. Furthermore, the application of reserve-free deposits to debt retirement has been about completed, and this deflationary factor is over and done with. It would not surprise me therefore if pretty soon the inflationary factors should again appear to be on top.

Whenever that happens then again I should be inclined to suggest taking the peg out, and freeing the Federal

Reserve authorities to buy and sell securities for their portfolio in accordance with their good judgment of the money market's needs, protecting the market for government securities but not pegging it.

It is largely a question of timing I think.

Faithfully yours



Hon. M. S. Eccles
Chairman, Board of Governors
Federal Reserve System
Washington, D. C.