

November 26, 1945.

Dear Governor Towers:

Your confidential letter of November 10 was of such great interest to me that I asked our staff people to compile a similar table to yours to show the distribution of ownership with respect to our debt. I enclose for your own information the result. I am not making these figures public so I would appreciate your regarding them as in the same status as your own figures.

It will not be news to you, of course, that your Government has been much more successful than we have been in distributing the increase in the debt to nonbank investors. In your country 67 per cent of the increase was taken and held by nonbank investors, as compared with only 58 per cent in the United States. The most striking difference is in the increase in holdings by individuals. As your table shows, 39 per cent of the increase was taken and held by individuals compared with only 24 per cent in the United States. Our showing is somewhat better with respect to corporate investors, who took and held 18 per cent of the increase in our debt, compared with 12 per cent in Canada. However, taking into consideration that individuals for the most part as well as corporations were taxed heavier in your country, it seems to me that your showing is all the more commendable.

While the percentage of increase in central bank holdings was somewhat larger in Canada, that apparently is because of the transfer of gold and foreign exchange reserves to the Foreign Exchange Control Board. Both in Canada and the United States, the increase in central bank holdings was principally a result of an increase in currency in circulation. It is also noteworthy, I think, that your commercial banks took only 21 per cent of the increase in the debt while ours took 32 per cent. I understand that about 60 per cent of the increase in Canadian bank holdings was balanced by an increase in time deposits, whereas the corresponding figure for the United States is only about 20 per cent.

Although on the whole, the figures are merely a confirmation of what we both knew, they are nevertheless valuable and particularly interesting.

- 2 -

I had the pleasure recently of seeing Mr. Gordon and Mr. McKutchins when they were good enough to pay us a visit here. I was glad of the opportunity to talk with them and only regretted that a previous luncheon engagement prevented my lunching with them.

With kindest personal regards,

Sincerely yours,

M. S. Eccles,
Chairman.

The Honorable G. F. Towers,
Governor,
Bank of Canada,
Ottawa.

Enclosure

 ET:b

OWNERSHIP OF GOVERNMENT DEBT, UNITED STATES AND CANADA

R&S 100-1766
November 19, 1945

Item	Amount			Per cent of total outstanding		Per cent of increase
	Dec. 31, 1939	May 31, 1945	Increase	Dec. 31, 1939	May 31, 1945	
<u>United States</u>						
(In billions of U. S. dollars)						
1. Federal Reserve Banks	2.5	21.0	18.5	5	9	10
2. Commercial banks	15.9	77.6	61.7	34	33	32
3. Individuals	9.8	54.7	44.9	21	23	24
4. Insurance companies	6.3	20.1	13.8	13	8	7
5. U. S. Gov't. agencies and trust accounts . .	6.5	23.8	17.3	14	10	9
6. Corporations and others	6.1	39.7	33.6	13	17	18
7. Banking system	18.4	98.6	80.2	39	42	42
8. Nonbank investors	28.7	138.3	109.6	61	58	58
9. Total	47.1	236.9	189.8	100	100	100
	Dec. 31, 1938	May 31, 1945	Increase	Dec. 31, 1938	May 31, 1945	Per cent of increase
<u>Canada</u>						
(In millions of Canadian dollars)						
1. Bank of Canada	170	1,575	1,405	5	10	12
2. Commercial banks	660	3,035	2,375	20	21	21
3. Individuals	885	5,480	4,595	26	36	39
4. Life insurance companies	350	1,660	1,310	10	11	11
5. Dominion Government accounts	155	755	600	5	5	5
6. Corporations and others	1,150	2,585	1,435	34	17	12
7. Banking system	830	4,610	3,780	25	31	33
8. Nonbank investors	2,540	10,480	7,940	75	69	67
9. Total	3,370	15,090	11,720	100	100	100

GOVERNMENT SECURITIES SECTION, BOARD OF GOVERNORS

Bank of Canada

Ottawa, November 30th, 1945

The Hon. Marriner S. Eccles,
Chairman of the Board of Governors,
Federal Reserve System,
Washington.

Dear Mr. Eccles,

I am much obliged for the interesting compilation enclosed with your letter of November 26th. As you say, it throws into light certain differences between the two countries, but I think we both have occasion to feel glad that the results are relatively good.

Our Ninth Victory Loan campaign, which closed about the middle of November, produced subscriptions of the order of \$2 billions, which is estimated to be sufficient to take care of the Government's requirements for a full year, i. e., until about the end of October, 1946. While the Minister of Finance will not be making any formal statement on the subject of National War Finance Committee until late next week, I may say that it is the intention to wind up the organization immediately. That means that well in advance of next October it will be necessary for us to decide on methods of Government financing. In view of the change in size of new money and refunding requirements, pre-war arrangements which worked well for periodic issues of from fifty to seventy-five millions are hardly likely to be appropriate in the early post-war period. The fact that the Government is well supplied with funds gives us a welcome breathing space during which we can formulate our plans. I shall be watching developments in this field in the United States with very much interest.

Yours sincerely,

