



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 15, 1938

Dear Marriner:

Attached is copy of a memorandum from Mr. Morse to Mr. Goldenweiser, under date of September 14th.

The first page partly answers your question about what the Bank of England has done in open-market operations in supporting Government security prices.

The second page partly answers a thought suggested by Mr. Berle in relation to foreign holdings of U.S. Government and other tax-exempt bonds.

Sincerely,

A handwritten signature, likely of Marriner S. Eccles, is written over a horizontal line. The signature is stylized and cursive.

Honorable Marriner S. Eccles  
c/o Eccles' Investment Company  
Post Office Box 667  
Ogden, Utah

BOARD OF GOVERNORS  
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## Office Correspondence

Date September 14, 1938To Mr. Goldenweiser

Subject: \_\_\_\_\_

From Mr. MorseCONFIDENTIALC O P Y

1. If the Bank of England has engaged in open-market operations to support Government security prices it has done so to only a small extent. There is no conclusive evidence. The change in the Bank's security holdings over the past week, when security prices declined rather sharply, will not be available until tomorrow, but there are two occasions in the recent past when the Bank may have supported the market. During the break in governments in February, 1937, for example, the Bank increased its total holdings of governments (including Treasury bills not shown separately) by £5,000,000. Subsequently, in March, the Bank added some £10,000,000 to its holdings, but this was apparently done to counteract a similar rise in note circulation resulting from European hoarding. During the Austrian crisis of last March, however, the Bank does appear to have intervened to the extent of £7,000,000 in one week, the purchases being liquidated the following week.

In general, the Bank's open-market operations are for the purpose of affecting the reserve position of the commercial banks rather than any particular market or rate. We were told, as you doubtless recall, that there was nothing to the report that the Bank had begun, this spring, to peg the Treasury bill rate.

2. The estimates of foreign investments in the United States prepared by the Department of Commerce do not classify foreign holdings of U. S. Government and other tax-exempt bonds separately because of the lack of satisfactory data. The statement is made, however, that "Foreign holdings of Federal, State, and municipal governments and of other political subdivisions have been comparatively unimportant among total foreign investments in this country for half a century or more." The report indicates further that foreign holdings of U.S. Governments at the end of 1936 could have amounted to no more than a few hundred million dollars. This estimate allows for a considerable volume of Government securities in trust funds administered for foreigners, a comparatively stable type of holding. Since the end of 1936 foreigners have purchased only \$200,000,000 of American securities, the great bulk of which represent corporate shares. Foreign holdings of U.S. securities maturing in one year or less amounted to under \$1,000,000 at the end of August.

Treasury records of registered U.S. securities show negligible foreign holdings and informal inquiries made by the Federal Reserve Bank of New York among New York City banks a year or two ago indicated that there was no appreciable foreign ownership of U. S. Government securities.