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United States Senate

COMMITTEE ON FINANCE

Washington, D. C.
June 14, 1940.

FELTON M. JOHNSTON, CLERK

Honorable Marriner Eccles,
Chairman, Federal Reserve Board,
Washington, D. C.

My dear Mr. Chairman:

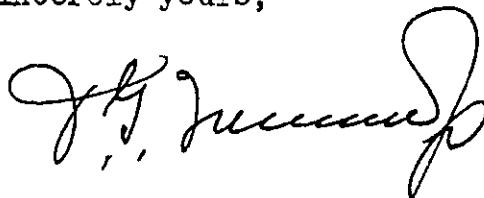
There has been some talk around the Senate lately of a move on the part of the Government and the Federal Reserve System of establishing a rigidly controlled market in Government bonds.

As a member of the Senate Committee on Banking and Currency, would you be willing to permit me to have an opportunity of seeing any memorandum which may be prepared by the Federal Reserve Board, Federal Reserve Banks or by the Marketing Committee, so that this matter may be cleared up?

My highest regards and best personal wishes, I am

Very sincerely yours,

JGT/h.



PERSONAL AND CONFIDENTIAL

June 17, 1940.

My dear Senator:

Your letter of June 14 apparently refers to some speculation that I have seen mentioned in the newspapers, but of which I have no personal knowledge. If there is any move afoot to establish a controlled market in Government bonds, I am not aware of it, even assuming such a thing could or should be done.

Speaking for myself alone, I can see no necessity for such a control, notwithstanding the requirements of any prospective defense program. You are well aware of the enormous surplus of banking reserves, the pressure of which has continued to keep Government securities at high price levels and relatively low yields, even in the face of the successive shocks of the news from abroad ever since the invasion of the Low Countries.


I am inclined to think that the talk you refer to is newspaper surmising that is not based on any realistic or practical knowledge of the market situation.

With kindest personal regards,

Sincerely yours,

M. S. Eccles,
Chairman.

Honorable J. G. Townsend, Jr.,
United States Senate,
Washington, D. C.

 ET:b

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United States Senate

COMMITTEE ON FINANCE

Washington, D. C.
June 19, 1940.

FELTON M. JOHNSTON, CLERK

Hon. Marriner S. Eccles,
Chairman Federal Reserve Board,
Washington, D. C.

My dear Mr. Chairman:

Thank you very much for your
frank letter of June 17.

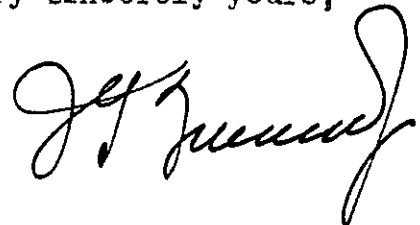
I think you are right that most
of the talk was speculation by the newspapers, but
I had heard some talk of it by a few Senators and
I just wanted to know from you that it was not true.
I have felt as you do there could be no necessity
for such control and have been somewhat surprised
to see the prices of Governments go up in face of
the bad news from abroad.

With best personal wishes, I

am

JGT/h.

Very sincerely yours,



Come up to see
me some day -