

Columbia University
in the City of New York

[NEW YORK 27, N. Y.]

SCHOOL OF BUSINESS

May
twenty-fourth
1 9 4 6

Mr. Marriner S. Eccles,
Chairman,
Board of Governors of the
Federal Reserve System,
Washington,
D. C.

Dear Governor Eccles:

In the New York Times, Friday, May 24, page 30,
you were quoted as saying that Britain and Canada both
prohibit commercial banks from owning government securities
(except short-term) except as these securities are related
to savings funds.

I would greatly appreciate it if you would be
kind enough to inform me of the nature of the rules and reg-
ulations in England which relate ~~to~~ the ownership of long-
term securities to savings funds.

Sincerely yours,

B. H. Beckhart

B. H. Beckhart
Professor of Banking

June 6, 1946.

Professor B. H. Beckhart,
Columbia University,
New York 27, New York.

Dear Professor Beckhart:

Your letter of May 24, 1946 requests information concerning the rules and regulations in England which relate the ownership of long-term securities to savings funds.

I regret that I am unable to give you any such reference. As you are no doubt aware, the British monetary and banking authorities exercise their influence over the British commercial banking system with a minimum of formal rules and regulations. In the intimate circle of British banking, dominated by a handful of institutions located in the capital of the country, it has always proved possible to exercise official direction over banking activity and policies largely through informal consultation and guidance.

However, as an indication of the results in the case of British commercial bank investments, I would call your attention to the following figures for the time deposits and security holdings of the eleven London clearing banks during recent years:

End of year	Time deposits (in millions of £)	Security holdings
1941	1161	999
1942	1200	1120
1943	1319	1154
1944	1500	1165
1945	1588	1234

Despite some irregular movements, you will note the rough correspondence between the growth in the banks' time deposits and in their security holdings, the great bulk of which represent medium and long-term government securities. Over the four years the growth in security holdings was in fact substantially less than the increase in time deposits, which confirms my main thesis that during the war the British have borrowed from their banking system very largely on a short-term basis.

Sincerely yours,

M. S. Eccles,
Chairman.

JBK:mla