



CONNECTICUT GENERAL

LIFE INSURANCE COMPANY

HARTFORD, CONNECTICUT

Established
1865

FRAZAR B. WILDE
PRESIDENT

March 5, 1947

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

Dear Mr. Eccles:

The financial papers of yesterday and today are not clear to me concerning your testimony before the House Banking and Currency Committee. Naturally I am enormously interested because of our business and because I know that you are a believer in fundamental soundness in monetary affairs.

If the papers are conveying the correct impression, you apparently do not favor the issuance by the Treasury of long-term bonds. This disappoints me because entirely aside from the bias I might have, representing an institutional investor, I sincerely believe that the issuance of long-term bonds would help to avoid the dangers which exist in the present situation.

Such bonds can and should be safeguarded against speculation. They would not be made eligible for bank purchase and they should have a restriction against resale in the first twelve months. This would prevent their being of interest to any one except bona fide long-time investors.

The issue could be handled on a tap basis with a restriction as to the total amount available. Perhaps two billion dollars would be a good limit. As to the sale of bank eligible securities held by non-bank holders, it would be hard to prove that such sales would follow in any large amount. Most of these securities are held by their present owners as a part of their short-term portfolio. They will sell them only if the opportunity to reinvest is very advantageous. I do not believe that a $2\frac{1}{2}\%$ bond with a restriction against resale running for twelve months would lead to any volume of sales of present holdings of bank eligible securities. The new issue would be bought chiefly out of the proceeds of uninvested funds.

*Statement
to
Congress*

Mr. Marriner S. Eccles

#2

March 5, 1947

The cost to the Government in carrying the debt would not be materially increased. The extra interest charge is well compensated for by the advantage to the country in a sounder monetary policy.

We are still in real danger of inflation, as you well know. I can see it vividly in our mortgage lending. We have reduced the price of mortgage money to 4% on residences but the residence costs 100% more than it did in 1940. The lower price for mortgage money is entirely wiped out and more by the inflationary price rise. It has got to be stopped and reversed if we are going to have continued prosperity. Correction, I well appreciate, doesn't lie entirely in the monetary field. It does seem to many of us that action in the monetary field can, however, be a help.

Kind personal regards.

Sincerely yours,

Fraser B. Wilde

FBW:MRF

March 10, 1947.

Mr. Frazar B. Wilde, President,
Connecticut General Life
Insurance Company,
Hartford, Connecticut.

Dear Mr. Wilde:

This is to thank you for your letter of March 5. The financial press badly garbled my first day's testimony before the House Banking and Currency Committee, and in an effort to clarify the situation I prepared a statement, copy of which I enclose.

While I was addressing myself primarily to the debt monetization problem and to the bearing of short-term interest rates on that problem, I referred, beginning at the bottom of page 3 of the enclosed statement, to the suggestion for issuance of more long-term securities. The problem, as you know, is not an easy one to deal with, short of giving the Reserve System some such broader authority as was suggested in our annual report last year. I am also enclosing for your confidential information a more extensive statement of the problem of issuance by the Treasury of the long-term securities which, as you will note, would follow generally the lines which you suggest.

Sincerely yours,

M. S. Eccles,
Chairman.

Enclosures 2

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