

KUGEL, STONE & Co.

INCORPORATED

20 BROAD STREET  
NEW YORK 5, N.Y.

TELEPHONE  
WHITEHALL 3-2050

December 4, 1947

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

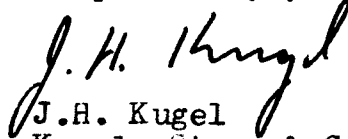
Dear Mr. Eccles:

At the suggestion of Mr. Blanchard of the American Banker,  
I enclose a reprint of an article which appeared in last  
week's Commercial and Financial Chronicle.

As far as I know the danger of an increase in the velocity  
of circulation which would result from mass selling of  
government securities has not been mentioned before.

It is interesting to note from the report of Mr. J. Stewart  
Baker to the stockholders of the Bank of the Manhattan Company  
that this large New York City bank did not own any Treasury  
Bills or Certificates as of November 30, 1947. It is evident  
that Mr. Baker has drawn the consequence from the price  
uncertainty in the government securities market: It is safer  
for the bank to sell government securities and to invest the  
bank's money in short term loans because the Federal Reserve  
Bank may abandon at some future date the price support of  
government bonds.

Respectfully yours,



J.H. Kugel  
Kugel, Stone & Co. Inc.

JHK:VD  
encl

December 15, 1947.

Mr. J. H. Kugel,  
Kugel, Stone & Co. Inc.,  
20 Broad Street,  
New York 5, New York.

Dear Mr. Kugel:

I regret that I have not been able to acknowledge at an earlier date the receipt of your letter of December 4, 1947, in regard to the Government securities market, because of the fact that I have been under the necessity of almost daily appearances before Congressional committees. Your reference to "price support of Government bonds" causes me to bring to your attention the statement which I made on December 10, 1947, a copy of which is enclosed, primarily in regard to the special reserve proposal, but in which I directed attention to the fact that there is full agreement between the Treasury and ourselves that under present and prospective conditions it is essential to maintain the established  $2\frac{1}{2}$  per cent rate on long-term marketable Government securities.

Very sincerely yours,

M. S. Eccles,  
Chairman.

Enclosure

CM:am

Gov. Evans:

You might look  
at the attached  
reprint — very  
good, it seems  
to me.

F  
A

Mr. Thurston

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Charles  
[Signature]

This article is protected by copyright and has been removed.

The citation for the original is:

Kugel, John H. "Danger of an Increase in the Velocity of Circulation." *Commercial and Financial Chronicle*, November 27, 1947.