

GUY M. GRAY
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302 MAIN STREET
GREENFIELD, MASS.

June 28, 1939.

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

Dear Mr. Eccles:

This writer agrees with your views on paying pensions to the aged now regardless of any surplus built up in their behalf. Spending is essential. Piling up a huge reserve depresses business.

A self-liquidating plan for old-age retirement which I choose to dub a reverse annuity scheme presented itself to me awhile back. I herewith submit it for your consideration. It may be a crack-pot idea but here it is:

As persons attain age of retirement 60 or 65, make them eligible for a pension(annuity) say, \$200 per month, which shall be made possible by a bank loan(Federal Annuity Bank)and guaranteed by United States Government. Of this \$200 the annuitant shall be paid half(\$100) and the other half(\$100) shall be placed in a reserve fund and invested by the said bank to liquidate the loan. The loan shall be tax free to annuitants. May be backed up by government annuity bonds to guarantee loans.

The average annuitant lives 10 years. At 4% interest on the reserve fund it would take about fourteen years after the death of the annuitant to pay the entire loan. Less time in many instances. More in some cases. Similiar to the cooperative bank plan.

The government would become the trustee(Federal Annuity Bank)for each annuitant and the dollars would work for each annuitant after his death. Said bank also become executor of annuitant's estate, and the beneficiary in order to liquidate obligations.

Burial charges(\$100) shall be liquidated by said bank.

Estimating 5,000,000 annuitants to receive loan and spend \$100 monthly would mean half a billion dollars per month put into circulation. Also half a billion put into reserve to invest. Or to purchase bullion.(That's another method of financing pensions as well as new jobs)

In ten years there would be 120 billion dollars in loans to annuitants and a reserve of approximately 71 billion dollars. The Federal Annuity Bank would have earned 21 billions of dollars.(I am assuming the money could be lent to advantage, That's the fly in the ointment). Therefore 49 billions would be required in addition to liquidate the 120 billion total in full. This would require about 14 years. In the meantime other loans would be made to new persons. Many would drop off each year and others would come to take their places.

Twenty-five dollars a week does not seem excessive. If this plan were inaugurated by the New Deal, victory in 1940 would be assured.

With kind regards, I am,

Yours very truly,
Guy M. Gray

July 1, 1939.

Mr. Guy M. Gray,
302 Main Street,
Greenfield, Massachusetts.

Dear Mr. Gray:

This is to thank you for your letter of June 28 in which you outline an old-age retirement plan that proposes to pay half of the annuity out and to retain the other half in a reserve fund for investment. I think you are correct in perceiving what seems to me to be the fly in the ointment, namely, the problem of what to do with the huge reserve that would have to be invested.

I shall not venture in the space of a letter to go deeply into this complex subject, but I undertook to deal with it in a general way in a recent address before the Harvard Business School Alumni and I am enclosing a copy.

I wanted you to know that I appreciated your interest and your courtesy in writing.

Sincerely yours,

M. S. Eccles,
Chairman.

enclosure

ET:b