

Mr. Ransom

To note:

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ÆTNA LIFE INSURANCE COMPANY

HARTFORD 15, CONNECTICUT

MURRAY WATERS, VICE PRESIDENT

September 18, 1945

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

My dear Mr. Eccles:

One cannot help but be aware of the fact that a great deal of pressure is being brought upon the Government for the release of all controls on the building industry with particular reference to housing. It seems quite likely that those who favor such action are making themselves heard and that those who have doubts about the wisdom of the complete release of controls may not be voicing their sentiments.

The type of controls which are being exercised by the OPA are irritating and certainly would not normally fit into our American way of doing things. All controls should obviously be eliminated as soon as possible but it seems to me and to many of my associates that while we are probably ready for the release of volume controls we should not release price controls on housing or construction materials until there is a more adequate supply of materials available.

I think the great majority of the people in this country agree that one of our gravest dangers is inflation. It is apparent to anyone closely connected with the real estate business that real estate inflation has been progressing at a rapid rate. It seems to me that the Government could help in this situation by temporarily continuing the price controls of housing and building material and also by exercising a more adequate control over real estate credit. In this connection I refer particularly to the inconsistency between the operation of the FHA which is doing a very good job of trying to hold the line by maintaining sound appraisal practices and the operation of other mortgage lending agencies whose savings deposits are insured by Government. As long as Government insures the deposits of these mortgage lending institutions it seems essential that Government should exercise control through FHA or through some other competent agency over the appraisal practices of those institutions.

Sincerely yours,

Murray Waters

Vice President

MW:T

September 26, 1945.

Mr. Murray Waters, Vice President,
Aetna Life Insurance Company,
Hartford 15, Connecticut.

Dear Mr. Waters:

Your thoughtful letter of September 18 deserved a prompter answer and the reason for the delay is that I passed it along to some of my colleagues and members of the staff because I knew they would be interested to have your viewpoint, as I was.

I find myself very closely in agreement with the views you express, particularly in regard to the situation in the housing field, and I have no doubt that Mr. Chester Bowles would likewise see the situation just about as you do. We gave a good deal of consideration to this picture in connection with the two relatively minor amendments we have just made to Regulation W, one of which does away with the 18-month limitation applying to loans of under \$1500 for the purpose of making home repairs and improvements. When the WPB rescinded L-41 and thereby released all its restrictions on all kinds of construction, it seemed to us that it would be ridiculous, apart from other considerations, to attempt to hold this 18-month rule on minor repair work. I mention this because this amendment does not betoken any lack of appreciation of the factors as you see them.

For some two years I have pressed as hard as I knew how for a sufficiently effective capital gains tax to curb the speculators not merely in the stock market but particularly in real estate, both urban and rural. Some consideration was given to an executive order which, however, would have covered only mortgage credit without reaching the infinitely more vital cash side of the picture. Moreover, some of the interested Government agencies insisted on exempting all new construction so that if the order had ever been issued it would, in my opinion, have been of little or no value from an anti-inflationary standpoint.

I should think you might appropriately express your views to the Federal Housing Administration as well as to Mr. Bowles, who is putting up as good a fight as possible to hold this line. For my part, I wanted you to know that your letter was appreciated.

Sincerely yours,

M. S. Eccles,
Chairman.

Received in
Chairman's Office

SEP 21 1945

Board of Governors
of the
Federal Reserve System

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ÆTNA LIFE INSURANCE COMPANY
HARTFORD 15, CONNECTICUT

MURRAY WATERS, VICE PRESIDENT

October 3, 1945

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

Dear Mr. Eccles:

Thank you very much for your letter of September 26th, in reply to mine of September 18th, in reference to price controls on construction material and real estate credit.

While I did not write Mr. Bowles, letters similar to the one I wrote you were addressed to Mr. John Snyder and Mr. John Blanford. We will all hope that the price controls which are still in effect on construction materials will be reasonably effective at least until there is an adequate surplus of these materials on the market.

While I fear inflation and believe that we should do everything possible to try to prevent it, I do not believe in the capital gains tax. I believe it is wrong in principle and I believe it would not be an effective barrier to inflation or higher prices. It seems to me that in the period ahead we must encourage risk capital to invest in new enterprises. Imposition of additional taxes on capital gains with little or no provision for deduction of capital losses would certainly discourage the flow of necessary capital into new enterprise. Undoubtedly all the arguments pro and con are entirely familiar to you but I just did want to indicate that, in my opinion, the capital gains tax is wrong in principle and not even useful as a producer of revenue.

Very truly yours,

Murray Waters
Vice President

MW:T

October 9, 1945.

Mr. Murrery Waters, Vice President,
Aetna Life Insurance Company,
Hartford 15, Connecticut.

Dear Mr. Waters:

This is to acknowledge your letter of October 3.
I am glad to know that you had written to Mr. Snyder
and Mr. Blandford with regard to controlling prices in
the real estate and construction fields.

While it is not possible in the space of a letter
to cover adequately the complicated subject of the
capital gains tax and its place in the tax structure
particularly at this time, I am venturing to enclose a
copy of a statement I gave out some months ago when the
matter was being discussed publicly in the press and
otherwise, since it outlines in a very general way my
own viewpoint in regard to it. I am inclined to think
that it does have a permanent place in the tax structure,
however.

As I have put it a number of times, I would like
to see a premium placed on investment in productive
enterprise and a penalty placed on speculative dealings
in securities of established business. The capital gains
tax, in my judgment, is ideally suited to accomplish this
desired objective.

Sincerely yours,

M. S. Eccles,
Chairman.

Enclosure

ET:b

Received in
Chairman's Office
OCT 5 1945
Board of Governors
of the
Federal Reserve System

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ÆTNA LIFE INSURANCE COMPANY
HARTFORD 15, CONNECTICUT

MURRAY WATERS, VICE PRESIDENT

October 11, 1945

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

Dear Mr. Eccles:

This is to acknowledge receipt of your
letter of October 9th, addressed to Mr. Waters.
Mr. Waters is out of town and is expected back at
the office on or about October 23rd, at which time
your letter will be brought to his attention.

Very truly yours,

S. M. Thomas

Secretary to Mr. Murray Waters

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Received
Federal Reserve Bank of St. Louis
October 12 1945