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16 P.W.

lpo m 52 Govt

CW Washington DC 1246PM May 21

Hon Marriner S Eccles

Chairman Federal Reserve Board

*"Starts my efforts --
-- mind"*

If your reports indicate there is an undue amount of short selling I believe marginal requirements should be increased to seventy five percent. If it is forced selling would it not be best to suspend operations for period of time so that crash similar to nineteen twenty nine may be avoided.

A J Sabath M C

105p,

Congr. from Ill,

*Short selling
not an emergency
To increase and
affect future
Set SEC -
containing*

*30-32
Bills.*

*1929 vs 1952 -
- Hoover -
- time*

39
30495 -
MS. 169
How Hoover
*11/17/52
Barron
Minsky*

Mr. Thurston

May 22, 1940
CEP

Concerning the attached telegram from Congressman Sabath

At the request of Mr. Thurston, but in behalf of Chairman Eccles, I called Congressman Sabath about this at about 1:45 p.m.

I explained that Chairman Eccles had not called himself because he was almost continually occupied with meetings. As to the subject matter of the telegram, I said that I had gone to the trouble of seeing representatives of the SEC and that from such reports as they have available they do not feel that the amount of short selling recently has been excessive; they feel that their present rule limiting short sales is working very well. As to the matter of closing the Exchange, I said that this was within the jurisdiction of the Commission and that they are watching the market carefully with a view to seeing whether they should use their powers in the matter.

Congressman Sabath reminded me that his efforts to secure legislation against Stock Exchange abuses had begun as far back as 1929, that he had introduced bills for this purpose in 1930-32, etc., that he has always been "friendly to the New Deal". He mentioned some "resolution" that is now pending, as to which he might be called upon to hold "hearings", and he wished to "fortify himself with as much information in advance as possible" -- feeling that such hearings might possibly do more harm than good.

He is persuaded that the short seller is not only a speculator but a pure gambler and that he "never does any good". He indicated that he had some intention of proposing legislation to require the SEC to obtain prompt daily reports on the volume of short selling. (Mr. Greene, apparently Mr. Francis Greene of the SEC, has apparently been consulted recently by Congressman Sabath by phone).

The Congressman requested me to pass on the substance of the above to Chairman Eccles.