

I. A. METZ
President

PIXIE INC.

DRUGS

Fountain ♦ School Supplies

Electric Appliances ♦ Radios

Macomb at
Brevard Street

P. O. BOX 452
TALLAHASSEE, FLORIDA

Nov. 2, 1948

Dear Mr. Eccles:

When you formerly proposed 100% cash for purchase of stocks, I, too, was of the opinion it would hinder the inflationary trend we've had -- I now note that it is proposed to modify the ruling in order that stock may be purchased on margin.

Your cash requirement did not stop speculation or inflation -- and I am of the opinion now that it would be preferable to permit stock trading on margin for the reason that some financial institutions have been making loans on stocks while not classifying them as such -- also, if the speculator can continue to trade in commodities on a margin basis, securities should have the same advantage. After all, securities are supposed to have some value -- whereas, I've never seen a commodity contract that, anything but a speculative order. *was*

Furthermore -- real estate is being traded in everyday on a marginal basis -- which accounts for the present excess prices and home shortages for those who need them.

Yours very truly,

I. A. Metz
I. A. METZ

com. spec.
IAM/ss

Hon. M. C. Eccles, Chm.
Federal Reserve Board
Washington, D. C.

November 5, 1946.

Mr. I. A. Metz, President,
Pixie, Inc.,
P. O. Box 452,
Tallahassee, Florida.

Dear Mr. Metz:

This is to acknowledge your letter of November 2. I am not aware of any official proposal to modify the 100 per cent margin rule at this time. From time to time, of course, there have been protests against the rule emanating chiefly from the brokerage community. However, the Board has been considering streamlining Regulation W relating to consumer credit. I enclose a copy of a recent talk in Boston in which I discussed both the margin rule and regulation of consumer credit.

While there have been allegations by some of the stock brokers to the effect that the margin rule is being evaded by bank borrowers, there is no tangible evidence to support that charge, and bank examiners have not been able to discover evidence of evasion on any significant scale.

It is true, of course, that Congress has not provided for regulation of credit covering commodities. No more vivid example of how unrestricted speculative use of credit can distort a market could be presented than the spectacle of the cotton market's recent gyrations, necessitating temporary closing of the cotton exchange. I cannot follow your reasoning that listed stocks should be open to similar speculative activity based on credit.

Securities still have value for purposes of borrowing except for the purpose of buying more stocks.

The way to have checked speculation in real estate would have been to impose a stiff capital gains tax during and since the war. Credit restriction would have been entirely impractical. It would have penalized home seekers, but would not have reached the speculators.

Sincerely yours,

M. S. Eccles,
Chairman.

Enclosure