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Frederick H. Jackson

Attorney at Law

101 Tremont Street

Boston, Mass.

June 27, 1949

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

In re

Dear Mr. Eccles:

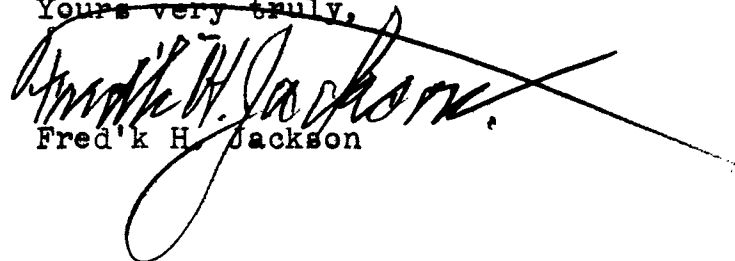
It seems to me that all the evidence available indicates that the restrictions as to short selling of stocks, should be abolished. The present arrangement makes it possible for the various groups that control the price of stocks to mark them at any figure desired and there is nothing that can be done about it.

If regular short selling was allowed this condition would be quickly corrected and in the balance between the opposing forces stocks would sell for their true value.

Today, stocks are marked up and down exactly the same as a merchant marks up and down his merchandise. An investor will pay an artificially high price and face a loss later on.

Deflation is proceeding very satisfactorily and probably will continue at a slow rate for the next fifteen years. I am sure that you will take such actions as may be necessary to keep deflation on a satisfactory basis. It is a big job but I am sure you can do it.

Yours very truly,


Fred'k H. Jackson

FHJ:CP

Mr. Frederick H. Jackson,
Attorney at Law,
101 Tremont Street,
Boston, Massachusetts.

Dear Mr. Jackson:

I have your letter of June 27 in which you state that it is possible for various groups that control the price of stocks to mark them at any figure desired and you suggest that the restrictions as to short selling of stocks should be abolished. You feel that if "regular short selling" were allowed, stocks would sell for their true values. Whatever may be one's conception of true values, as to which judgments may well differ, we have no evidence to support the view that the prices on the stock exchange do not, generally speaking, reflect market opinion.

The Board's present requirements prescribe 50 per cent margin on short sales, which is the same as that specified for long positions, the figure applicable in both cases having recently been reduced from 75 per cent. It may be noted in this connection that the outstanding short position for May 1949 was the highest on record since 1933. With respect to the pricing of short sales, it may be added that one of the rules of the Securities & Exchange Commission provides in effect that the price at which a short sale is made may not be below the last preceding different price.

In response to your last paragraph, we endeavor to keep as well informed as possible as to trends in economic conditions and as to actions which may properly be taken within the scope of our limited powers in the direction of promoting and maintaining stable economic conditions. In this connection you might be interested in the talk I made before the Commonwealth Club of California in San Francisco on April 8, 1949, in which I discussed the subject of economic stability, and I am enclosing a copy for your information.

Sincerely yours,

M. S. Eccles.

Telephone Liberty 2524 9139

Frederick H. Jackson

Attorney at Law

101 Tremont Street

Boston, Mass.

August 2, 1949

Marriner S. Eccles, Esq.
Federal Reserve Bank
Washington, D. C.

In re

Dear Mr. Eccles:

I beg to acknowledge the receipt of your letter and also copy of your Address before the Commonwealth Club of California. Your position relative to the Soviet Government will be approved by everyone who reads this Address. As to American communists, they are traitors and should be treated accordingly. A Court Martial should be set up and they should be tried and if convicted, should be disposed of in the same manner as other traitors. Then there will be no communists in the U. S. A.

We were discussing the restrictions on short sales. Selling short today is like throwing a chip on the ocean. That is why the amount of short sales outstanding are so negligible. Take Steel for instance, number of shares 26,809,756. Short interest less than 60,000 shares, and the same condition applies to the rest of the market. It is unnecessary to say that the market is not affected at all by these sales. Just how fantastic the market can be without short selling has been fully demonstrated by the present market. January 22 the Dow-Jones Averages stood at 181.54 with business booming, and unable to fill orders. Now, with steel operating at 80% the Averages stand August 1 at 176.84. That is to say, within five points of the high of the year. And the object of the fictitious prices? To sell stocks to the public. The operation has been entirely successful according to official reports. No doubt at some time in the future, when a panicky public sells in order to save a part of their investment, buyers will be right there ready to take them. It is obvious that restrictions on short sales should be removed at once lest history repeat itself.

Yours very truly,


Fred'k H. Jackson

F'HJ:CP