

#43 Cayuga Road,
Yonkers, N.Y.
February 21st., 1945

Federal Reserve Board,
Washington, D.C.

Attention of: Mr. Marriner Eccles.

Honorable Chairman:

In reference to an article that appeared in the financial column of the New York Evening Sun to-day to the effect that you are trying to curb inflation in the Stock Market, I have a suggestion to offer, that I feel would solve your problem and be worthy of consideration.

Since about May 1942 the public has been making a lot of paper profits on their Stock Market activities, but the Government has not participated in same in the form of taxation. My suggestion is to charge them a 10% Assessment on their paper profits, if they refuse to sell, on 50% of their profits within the first six month's period and 20% on 25% of their profits on the next six month period and a step-up from then on for every succeeding six month period, making the Stock Broker your Custodian and charging this assessment to the customer's account and sending this money direct to the Government. Just like the Employer is now compelled to collect the Social Security and pay-as-you-go (Withholding Tax) right out of the pay envelope of the Employee, sending same to the Government. This would apply to the ~~Exp-~~ ~~ply to the~~ Long and Short accounts as well. For those who hold stocks outright, they should be compelled to register their holdings with the Government, purchased since May 1942 on and do likewise. These assessments to be paid quarterly each year. This would discourage holding on to stocks indefinitely, thereby causing a shortage in the supply, which tends to bring on INflation in the Stock Market.

One may say that a profit is not made until the transaction is closed out, but there is nothing to prevent the customer to sell or buy. It would compel him to either close out his transaction or else at least let the Government participate to the extent of 5% according to the way I have figured it out. In Real Estate one pays the Real Property Tax and in addition the Income Tax on the net profit. The former if your property is rented or not - that's the Owner's good of hard luck. Why should this class of Speculator or Investor be accorded a special privilege.

It's gotten to the point now that they are borrowing on their Government Bonds to increase their margins and pyramiding on their profits and when the crash comes, the public will lose their money anyway and the Government will be out all this assessment money. Only the wealthy individuals and investment corporations paying taxes on their profits who usually know when to get out on time.

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This was one of the reasons I understand prompted the Government to inaugurate the Pay-as-you-go Tax, taking same right out of the workers envelope while he made big money - usually on defense work, so that they wouldn't blow it in and when the war was over, he would be dead broke again and then with this tremendous National Debt, how would they get the money to pay for same. Then again if everybody holds stocks outright and the crash comes they will all be loaded up with stocks with nobody to take them but the Pawn Brokers at 10¢ on the dollar.

If some such means as I have suggested is not adopted right now it will result as it is presently with a lot of split-ups and worthless issues - in spite of the S.E.C., also bringing back the Bucket Shops.

I do hope that you will give this matter due consideration and trust that you will acknowledge the receipt of this letter.

P.S. This assessment would be in addition to the regular Capitol Gains Tax.

Respectfully yours,


Peter J. Braschoss.

February 28, 1945.

Mr. Peter J. Braschoss,
43 Cayuga Road,
Yonkers, New York.

Dear Mr. Braschoss:

This is to acknowledge your interesting letter of February 21 in which you suggest levying a special assessment on paper profits or realized profits on stocks. I am passing this along to our economic division for their information.

The proposal which I have made would, I feel, accomplish more, in that it would not be directed merely to the stock market, which is of less significance to the war veteran and the great mass of our people generally than the other sectors of the economy in which inflated values would have the most serious consequences.

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

Sincerely yours,

M. S. Eccles,
Chairman.

ET:b