

WILLIAM H. FIELD CO.
SINCE 1880
WOOD-WORKING MACHINES

ALSO MFR. OF
 MORTISE CHAINS
 BARS & SPROCKETS

323-9 DORCHESTER AVENUE
 BOSTON
 27

February
 23
 1945

Mr. Marriner C. Eccles
 Chairman Federal Reserve Board
 Washington, D. C.

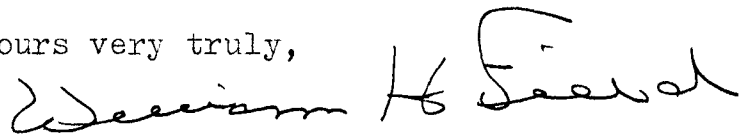
Dear Mr. Eccles:

Don't you think your suggestion of taxing speculative profits is suggestive of the dangers of large increases in prices both of stocks and real estate coming as it does on the increase of margin requirements? Both such moves immediately carried these implications in my mind.

If there is such a thing as practicability these days might I suggest that the soundest means of price control would be the reverse of these movements? In 1929 I think that the collapse was largely caused by holders of securities who were reluctant to pay the then existing taxes on gains--that a larger supply of stocks which would occur with lower taxes or no taxes at all is the surest way to restrict price advances. The higher the tax the fewer the sales and, consequently, that old fundamental law of supply and demand will come into operation, and to undesired operation.

I am positive that as you remove existing freedoms of movement you are tinkering with fundamentals disastrously--that these fundamentals are as positive as the tides, that they are natural and man hasn't the brains nor the power to safely redirect them. Theories are attractive but dangerous and often unworkable. Furthermore the power to tax is the power to destroy--and could it be that your idea is to do this? You are a powerful man in this country and it is my sincere hope that you use that power with wisdom and conservatism.

Yours very truly,



William H. Field

whf/n

February 27, 1945.

Mr. William H. Field,
William H. Field Co.,
323-9 Dorchester Avenue,
Boston 27, Massachusetts.

Dear Mr. Field:

It is a curious fact that in the same mail that brought your letter of February 23, I received one from an outstandingly able manufacturer and investment banker of national reputation who remarked that the opposition to my proposal with respect to the capital gains tax would come not merely from Wall Street sources, but from communists who want to destroy our system. I am, therefore, puzzled when I read your letter, which reaches precisely the opposite conclusion, namely, that this and other steps to control inflation would destroy our economic system. Certainly I have every reason to favor only such measures as would preserve this system and I am not consciously proposing anything that would have the contrary result. I am fortified in my views by consultation with a great many well informed people for whose judgment I have a high regard.

I could hardly agree that the 1929 collapse was largely caused by the then existing capital gains tax, or that a larger supply of stocks induced by lower taxes or no taxes at all would have been the solution then. The difficulty in 1929 was not price advances, but the fact that funds accumulating for investment did not find outlet in new enterprise but spilled over instead into stock market and real estate speculation, among other things.

While my power is very slight, such as it is I hope to use with all the wisdom I can gather.

Sincerely yours,

M. S. Eccles,
Chairman.

ET:b