WERNER E. MOHL
Painting and Decorating
45 Rockledge Ave.
White Plains, N. Y.

Glad. 1156 evenings

March 9,1945.

Mr. M. Eccles,
Federal Reserve Bank,
New York,N.Y.

Dear Sir:

As a small,very small business and working man one cannot help to express ones disgust at reading your opinions and ideas as reported by the press regarding a so called tax on real estate and stock profits. My dear Sir it may be all big and terrific for men sitting at the desks, by Government pay(who is the government ? perhaps the people in back of it?) to worry that prices are getting out of hand, but in practice I hardly believe such worries are justified. At least they are not for a small business man who perhaps is struggling along to meet his taxes on real estate property such as they are levied at rates from thirty to forty Dollars per thousand. And I am not speaking for anyone who perhaps purchased property as far back as 1929. And what about the high costs of repair,increased fuel costs etc. And stocks. IT almost seems laughable.Why take U.S.Steel which in 1937 a more or less peaceful year sold at around 125 Dollars per share against about 62 or so at present. What about those suckers that are still stuck with investments such as Cities Service at $ 67. of 1929 vintage. But let us not dwell on the year of 1929. Lets us take more recent dates,they are easier to remember. What about Anaconda which was priced about $ 37. in 1939 and has now reached the fantastic heigth of $ 33. We could really pick out stocks of almost any type and really worry over it. Let us take Douglas aircraft which used to sell at $ 90.00 per share before the war and has now reached the phenomenal price of $ 67.00 per share; Curtiss Wright which sold at $ 14.00 in 1939 and has now gone to $ 6.00 per share.Perhaps you could think up some tax law whereby the poor investor might get something back from somebody!

If you worry about something maybe you may have to worry soon that stocks are going to hell? Or how about inflation in the food line.We used to buy boiled ham out this way for ninteen cents a pound; today you could not get any for eighty cents. How is that; perhaps you can devise a law whereby pig profit could be taxed. Why not wreck opportunities in this country altogether and take care of all the risks any one incurrs by investing in anything,unlimited.

Very truly yours,

W. E. Mohl

Over Please!

just for price control – [illegible] profits
[illegible] a [illegible] items [illegible]

Being on the subject of pigs and hogs perhaps another 95 % profit tax could be placed on profits made in bristles. I and all of us other painters have to pay $ 35.00 for a five inch painting brush but inasmuch as we cannot get them at that price we pay $ 16.00 for one with 75 % horsehair mixed in with domestic hog. Or you could place still another tax on profits made in shellac for which we pay $ 3.50 per gallon instead of ninety cents five or six years ago.Or how about a profit tax on linseed oil. I am sure you didn't even know about these things or you might have said here too:

" May be we willl do it! ".

"Bear" writes to say that he wishes to thank Eccles for causing the break in the stock market that made it easy to cover short contracts. . . . Writes Constant Reader: "I have $12,000 worth of good stocks yielding about 5¾ per cent, with a debit balance of $3,355. I have $3,500 face value of V bonds which will eventually pay 2¾ per cent, and I buy a $100 V bond every month. Believe me, I bought the V bonds not because of the yield. What will Mr. Eccles accomplish by forcing me, and no doubt many ~~others,~~ to sell our V bonds?" . . . That million-share

MARGIN RULE HOLDS DANGER

Cash Market Basis Would Hit War Loans.

Lending officers of some of the larger banks today said they hoped the Federal Reserve Board would go slowly in further changing margin rules. They explained that tinkering with margins beyond a certain point would be a two-edged sword that might affect the Treasury's war financing.

It was assumed that, if the Board raised margin requirements to 100 per cent, thereby placing the stock market on a cash basis, it would make similar requirements covering bank loans on securities.

It was agreed generally that it was contrary to precedent for any proposed change to be retroactive, and it also was agreed that many exceptions would have to be made for any higher margin rule—for example loans on Government securities would have to be exempt as would loans made to underwriters to carry new issues of securities pending their distribution.

If the securities market is placed upon a cash basis, there would be at once an effort by the public to obtain the cash to replace the credit it had been accustomed to using. Next to cash, holdings of Treasury War Savings Bonds are the largest asset on the average family's balance sheet.

It requires no stretch of the imagination, bankers said, to visualize a vast increase in cash redemptions of savings bonds to obtain money for other investment. Probably many investors would convert savings bonds into coupon bonds of other issues of a marketable character so as to have security that would be exempt from collateral restrictions.

As of February 28 New York city weekly reporting member banks were lending only $730,000,000 on securities other than Treasury bonds, both to brokers and to others. They were lending $1,163,000,000 on Government issues.

March 14, 1945.

Mr. Werner E. Mohl,
45 Rockledge Avenue,
White Plains, New York.

Dear Mr. Mohl:

From your letter of March 9 I am obliged to conclude that what you have read in the press regarding my proposal was highly misleading and I am, therefore, venturing to enclose a copy of a statement which will give you the reasons why I think it necessary at this time to take effective action that will protect the now unprotected sectors of the economy that are represented in such capital values as farms, homes and stocks.

As you know, price controls and ceilings cover all civilian goods. There are no such controls on capital assets. Possibly you are correct in believing that it is not justifiable to worry over the danger of prices getting out of hand, but all those who have some share of responsibility in this connection and who are, I think, familiar with the facts would disagree with you. In any case, it is better to protect the economy against the dangers, even if they do not materialize, than to be complacent about it and let the situation get out of hand.

The level of stock market prices is high or low relative to other things, of course. However, I am not undertaking to pass judgment on whether that level is too high or too low. The fact is that the Standard and Poor's index compiled on the broad base of 402 stocks -- 354 of them being industrials, 20 rails, and 28 public utilities -- rose 88.8 per cent between the low point of 60.8 on April 29, 1942 and February 28, 1945.

I can't imagine anything that would do more to destroy small business enterprise, such as yours, than to let an inflation get out of hand, followed as it would certainly be by a ruinous deflation. I am confident that you do not want that.

Sincerely yours,

M. S. Eccles,
Chairman.

Enclosure

ET:b