

OFFICE OF PRICE ADMINISTRATION
WASHINGTON 25, D. C

OFFICE OF THE ADMINISTRATOR

March 9, 1945

Mr. Marriner S. Eccles
Chairman
Board of Governors
Federal Reserve System
Washington, D. C.

Dear Marriner:

Thanks for sending me your statement on the suggested wartime capital gains tax. I found the Senate Banking and Currency Committee entirely aware of the inflationary danger - largely thanks to your own testimony.

I was much encouraged during the three days that I spent with them by the evidence of support which they consistently indicated.

There is one point which would help us considerably in any future statements which you make, and that is a paragraph or two emphasizing that so far the price line has been held. Some newspapers have occasionally secured from your statements the erroneous impression that you felt that all prices were on the rise. Actually, the wording that you have used seems clear beyond question.

I believe, however, if you went out of your way to put in a paragraph or two each time on what has happened since price control became really effective in May 194e, it would sharpen the distinction between industrial prices and the cost of living on one hand, which have been under control and real estate and the stock market which have been free of controls.

Actually, as you say, inflation in any part of the economy endangers the stabilization program in the remainder.

I do hope you can do something with this program of yours, Marriner. And I do hope you will let me know if there is anything we can do to be of assistance. I am sure Will Davis will give it every possible support in his new role as Stabilization Director.

With my best regards.

Sincerely,


Chester Bowles
Administrator

March 12, 1945.

Honorable Chester Bowles,
Administrator,
Office of Price Administration,
Washington 25, D. C.

Dear Chet:

Your letter of March 9 and your encouragement and support are greatly appreciated. I certainly hope that the matter of the special wartime capital gains tax will get a hearing before the Ways and Means Committee of the House as well as the Senate Finance Committee.

I think it quite possible that the Treasury would support an alternative proposal that, while less effective, would be a great help; that is, to revert to the former provision whereby the holding period is extended from the present six months to at least two and preferably three years. Capital assets sold within that period would be subject to income tax rates, and I suppose there would have to be a step-down period thereafter until the current capital gains rate is again applicable.

I am glad you called my attention to the point that the price line has been held. I will bear it in mind in any future statements. I agree that it helps to sharpen the distinction between those sectors of the economy that are under control and those that need to be put under control.

with best regards,

Sincerely yours,

FT:b