

Box 1654
Hartford, Conn.
March 12, 1945

Chairman M. Eccles
Federal Reserve Board
Washington D.C.
Dear Mr Eccles,

I am an O.P.A. investigator at Hartford, Conn. All of us are concerned with inflation in all its aspects. You, Mr Eccles, have advocated a 90% tax on the profits made on any short term turnover of capital assets. Mr Russell Smith of the National Farmers Union advocates a 100% tax stating that inflation of land values is the "most critical problem of all at this time." The American Federation of Labor also has joined forces with representatives of farm interests, both deciding that it is time to control the rise of real estate prices.

Controls of all types have been instituted by the government to avert inflation. Businesses with capital assets, overhead, inventories, etc, have expenses which require capital investments, bank loans, and volume and value of product to effect a profit. All types of business have had price controls established so that no one individual or group can take advantage of existing shortages for their own monetary profit.

A partial control has been placed on property by stabilizing rents. This has held back to some extent inflation on multiple unit properties by limiting their speculative possibilities. However, speculation and the resulting inflation has just been delayed on this type of property. At the present time, the highest prices are paid for single homes. These indications of inflation already apparent are due mostly to the uncontrolled activity of a group of individuals known as "real estate agents."

Property values are particularly susceptible because of the flood of inflationary propoganda disseminated throughout the country during the past five years. This propoganda urges the individual to convert his cash into property because money won't be worth anything. This makes an ideal setup for any business man, especially the man selling real estate.

He is the greatest factor in the uncontrolled inflation of property values now developing. It seems the only requirement to become a real estate agent is a list of houses for sale. He is not interested in whether the property has any real value. His only interest is in the commission for turning over the property. Many times he manages to turn over the same piece of property several times. Of course, this is done at successively higher prices, the bait being a nice profit for the seller, and a quick turnover at a profit for the buyer. He does not have to maintain a place of business and so has no overhead; his expenses are almost nil; he is not required to make any initial investment for inventory, fixtures etc.; and he has no worries to limit his activities concerning the lack of experienced labor or the lack of materials which is a common experience for the average business man today. There are no regulations to control his activity, and, not having any of the worries of the usual business man, the result is about equivalent to letting a bull loose in the china closet. What good has been accomplished by the control on rents has been nullified by the real estate agents' activity and freedom in carrying on business as usual.

The real estate agent is the only business man whose activity has not been placed under control by government regulations. Since he is engaged in an activity which has a direct bearing on speculation in property, and since property values are particularly susceptible at the present time to any inflationary suggestions, I feel that certain restrictive measures should be undertaken to control his business activity within clearly defined limits and to establish the ethics of his profession within these measures.

Very truly yours,
George A. Lesnick

March 19, 1945.

Mr. George A. Lesnick,
Box 1654,
Hartford, Connecticut.

Dear Mr. Lesnick:

This is to thank you for your interesting letter of March 12 in regard to your experiences as OPA investigator at Hartford. I am glad to have your views and your encouragement.

I think my proposal would hit fairly effectively at the real estate agent who is encouraging the speculator without needlessly interfering with legitimate investment. It occurred to me that you might care to see the full text of an explanatory statement I have prepared, and I am accordingly enclosing a copy.

Sincerely yours,

M. S. Eccles,
Chairman.

Enclosure

ET:b