

25

March 14, 1945.

Honorable Harold H. Burton,  
United States Senate,  
Washington 25, D. C.

Dear Senator Burton:

As Mr. H. E. Young of Toledo, Ohio,  
sent me a copy of his letter of March 10 to you,  
I am taking the liberty of enclosing a copy of  
my reply, knowing of your interest in this gen-  
eral subject and desire to do whatever can be  
appropriately done to cope with the problem.

Sincerely yours,

M. S. Eccles,  
Chairman.

Enclosures 2

 ET:b

March 14, 1945.

Honorable Robert A. Taft,  
United States Senate,  
Washington 25, D. C.

Dear Senator:

As Mr. H. E. Young of Toledo, Ohio, sent me a copy of his letter of March 10 to you, I am taking the liberty of enclosing a copy of my reply, knowing of your interest in this general subject and desire to do whatever can be appropriately done to cope with the problem.

I had previously sent you a copy of the explanatory statement, but as it goes with the reply to Mr. Young, another copy is attached.

Sincerely yours,

M. S. Eccles,  
Chairman.

Enclosures 2

 ET:b

March 14, 1945.

Honorable Charles W. Tobey,  
United States Senate,  
Washington 25, D. C.

Dear Senator Tobey:

As Mr. H. E. Young of Toledo, Ohio, sent me a copy of his letter of March 10 to you, I am taking the liberty of enclosing a copy of my reply, knowing of your interest in this general subject and desire to do whatever can be appropriately done to cope with the problem.

Sincerely yours,

M. S. Eccles,  
Chairman.

Enclosures 2

ET:b

SNYDER, WILSON & CO.

*Investment Brokers*

PRODUCE EXCHANGE BLDG., 410 MADISON AVE.

TOLEDO 4, OHIO

OSCAR R. FOSTER  
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MEMBERS  
NEW YORK STOCK EXCHANGE  
ASSN. NEW YORK CURB MARKET  
CHICAGO BOARD OF TRADE  
TELEPHONE ADAMS 4151

March 10, 1945

Senator Tobey of New Hampshire  
Member, Senate Banking Committee  
Washington, D. C.

Dear Sir:

February 21st the writer addressed a letter to Senator Taft concerning the testimony of Myron Eccles and his remarks concerning inflation and ways and means to stop such a possibility. Yesterday Mr. Eccles reapproached the subject.

I am in the brokerage business as can be seen by our letter-head and public reaction to Mr. Eccles statements may be of interest.

First; do we have inflation or is it a serious prospect? The Dow Jones Averages, the barometer of stock prices, reached a high point on this market move of 161.82. In 1937 they were 194.40. U. S. Steel is roughly 64--in 1937 it was 126 $\frac{1}{2}$ . Chrysler to-day is 104--in 1937, 138  $\frac{3}{4}$ . Money in circulation to-day is three times that in circulation in 1937. The public debt far in excess of 1937. Price of gold is up and bank reserves down. In other words with every indicator up, prices of stocks are about half 1937 and Mr. Eccles "fears" inflation.

Mr. Eccles comments naturally are broad-cast over the tape. What is the public reaction: A lumber dealer just left my office. His comments were "In my business I can't make any plans; I don't know what jobs I can plan for post war--because of a continuous tinkering in Washington. A tool-maker off a night shift, "I see Eccles doesn't want me to buy stocks on credit which freezes me out out the rich of which he, (Mr. Eccles) is one, can buy all the stocks they want, to his advantage and my disadvantage." A retired merchant "Well if I can't trade the market I can augment my income by selling my government bonds and placing the money to better advantage in stocks which will be depressed when Eccles gets through his monkey business.

My personal reaction--the accounts in our office are fully margined to requirements. Our debit balances represent about 20% of that allowed by the Securities and Exchange Commission. And Brokers loans are less than one billion or approximately but 1/60 the total value of stocks listed on the Exchange.

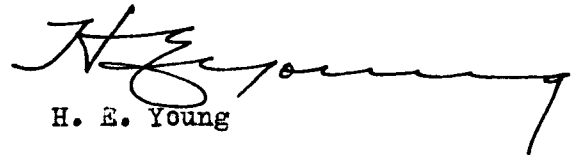
Senator Tobey

March 10, 1945

Yesterday and to-day the market reacted five and one-half points on the continuous discussion of "just what Mr. Eccles wants to do." My suggestion would be either, do what is intended and then stop the talking or stop the talking until the time action is needed. The American public is entitled to know where they stand from governmental authorities.

Yours very truly,

SNYDER, WILSON & CO.

  
H. E. Young

HEY:mlh

CC to Myron Eccles, Chairman  
Federal Reserve Board

CC to Robert Taft  
Senator from Ohio

CC to Senator Burton

March 14, 1945.

Mr. H. E. Young,  
Snyder, Wilson & Co.,  
Produce Exchange Building,  
410 Madison Avenue,  
Toledo 4, Ohio.

Dear Mr. Young:

This is to acknowledge receipt of the copy of your letter of March 10 addressed to Senator Tobey of New Hampshire. I agree with your suggestion about talking versus action, but when witnesses appear before committees of Congress and are questioned, they are expected to reply to the best of their ability.

I was called before the Banking and Currency Committees of the Senate and the House to testify in regard to a technical measure covering collateral reserves for the issuance of Federal Reserve notes. Members of the Senate Committee questioned me specifically about what I thought could be done to prevent further inflation of prices of homes, farms and securities; that is, capital assets in general. And since I had given a good deal of thought to the matter, I mentioned a special wartime capital gains tax as the most effective single and over-all weapon which would reach all fields simultaneously, recognizing, of course, that this is an expedient, like other price control measures, to deal with the effects and not with the causes inasmuch as the causes could only be reached by far more drastic taxation coupled with more economical expenditures than have in fact been authorized. As press reports were fragmentary and, in some cases, badly garbled, I subsequently issued a statement in an effort to clarify the subject, and I am venturing to enclose a copy for your information.

You and others have cited the Dow-Jones averages, which are based on only 30 industrials. I have cited the broader based Standard and Poor's index, which covers 402 stocks, since it is much more representative of the general picture. That index has risen 88.8 per cent between the low point of 1942 and February 28, 1945. Stocks, of course, are high or low relative to other things, some of which you mention. However, I am not undertaking to say whether stocks are too high or too low, but merely that dangerous inflationary forces exist and must be curbed to protect the whole stabilization program, including the wage and price front now subject to direct controls.

Mr. H. E. Young - (2)

March 14, 1945

Such controls do not exist for capital assets. Prudent public policy requires that adequate steps be taken in advance because it is too late to deal with inflationary factors once they have taken effect. If that is permitted to happen, the inevitable result is ruinous deflation. The comments which you cite are understandable but, nevertheless, not based on a broad consideration of all of the facts involved.

Your letter expresses concern only for the stock market. To the returning war veteran, to the mass of our people, the price of homes and farms is much more important. However, unless effective protective measures are taken to prevent the prices of all capital assets, including securities, from getting out of control, the consequences can be utterly demoralizing to all of us.

Sincerely yours,

M. S. Eccles,  
Chairman.

Enclosure

ET:b

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## United States Senate

COMMITTEE ON NAVAL AFFAIRS

M. E. GALLAGHER, CLERK

March 15, 1945

Honorable M. S. Eccles  
Chairman, Board of Governors  
Federal Reserve System  
Washington, D. C.

Dear Mr. Eccles:

Thank you for your letter of the fourteenth,  
enclosing copy of your reply to Mr. H. E. Young of Ohio.  
I am very glad to have the facts you set forth therein.

With assurance of my esteem,

Sincerely yours,

