

# CONSOLIDATED VULTEE AIRCRAFT CORPORATION



STOUT RESEARCH DIVISION  
DEARBORN, MICHIGAN

March 17, 1945

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

Dear Sir:

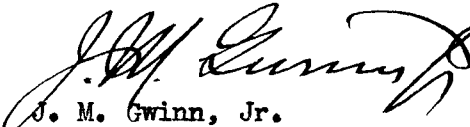
I would like to comment on your letter of March 13 to The Washington Post on the "Capital Gains Tax".

You state that it is the "so-called smart money" and "not the bona fide investor or the small taxpayer who is applying this upward leverage to these prices". Nine lines later you state that the speculative bubble will burst "with the inevitable ruinous consequences for the vast majority of the people of this country".

If it is only the smart money which is bidding up real estate and stock prices, how can people not classified as "smart money" be hurt by the collapse of these prices? Does it not follow that if the vast majority of the people of the country are to be hurt by collapse in stock prices and real estate values that these same people must be the ones who own real estate and stock at inflated values?

Is it not also true that the rise in stock and real estate prices is a result of the inflationary policy of the Government, causing people to put their dollars into equities, and is not the cause of inflation -- that means taken to prevent the flight of dollars into such equity values will force people to find other equity values into which they may put their wealth, and will in no ways stop inflation so long as the Government pursues a policy of inflation?

Yours respectfully,

  
J. M. Gwinn, Jr.

JMG:ds

March 20, 1945.

Mr. J. M. Gwinn, Jr.,  
Consolidated Vultee  
Aircraft Corporation,  
Dearborn, Michigan.

Dear Mr. Gwinn:

This is to acknowledge your letter of March 17. Perhaps in my letter to the Washington Post I should have spelled out the statement to which you refer. If the smart money is smart enough to get out at the top of the market, then, of course, somebody else gets in and gets hurt. The trouble with this speculative whipping up of the market is that more and more little people get drawn into it in the end, and the inevitable bursting of the bubble not only hurts them but hurts the entire economy. That applies especially to inflated prices of farms and homes. The time to put a curb on the smart money is before it has had an opportunity to touch off an inflationary spiral, and not after prices have become inflated.

You are quite right, of course, that the rise in capital values and, in fact, all of the inflation problem is attributable basically to the huge deficit-financing of the war. It occurs to me that you may not have seen a public statement I made, item 6 of which refers specifically to this point. I am, accordingly, enclosing a copy.

Sincerely yours,

M. S. Eccles,  
Chairman.

Enclosure

ET:b