

Baltimore Bank

1014 BALTIMORE AVENUE
KANSAS CITY, Mo.

GEORGE H. BUECKING,
PRESIDENT

March 21, 1945

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

Dear Mr. Eccles:

I have been thinking a great deal of late about your proposed plan to increase the tax on the profits from the sale of stocks, real estate, etc. In this connection, I have been trying to connect up in my mind the cheap interest rates the government has established on its bonds, issued on the war loan drives. Partly on account of low interest rates and, as far as I can see, there have been thousands of people forced into the stock market in order to secure a large enough return on their investment to have a decent living. In fact, one of my friends sold about \$40,000.00 worth of 2% government bonds and bought a list of stocks that will net him close to 5%. Again, just the other day over at the Federal Reserve Bank four different people asked a broker friend of mine who was at the bank at that time what stocks they could buy to bring them a fair rate of interest.

If the United States government sets the rate of interest and this is a small rate and, as I said above, thousands of people are forced into the stock market to receive better interest and dividends and then the market is "frozen" later by the government, it looks to me as though there is a weak point somewhere in the whole plan.

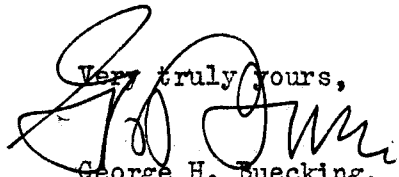

I realize you folks in Washington are doing everything you can to hold down credit inflation. On the other hand, I am trying to make up my mind that some credit inflation might be better than too much regulation in this United States where we are trying to keep the country a democracy. I realize that most of these plans you formulate must be good ones because I happen to know that you belong to the Phi Beta Kappa fraternity and a person has to have a certain amount of intelligence to be elected to this fraternity. Still, some time in your life and mine we might have some wrong ideas and if so we both should be more than willing to be set right in the matter. Speaking of Phi Beta Kappa, my daughter who is just graduating from Smith College this May made both the Phi Beta Kappa and Sigma Xi.

Getting back to the tax on profits derived from the sale of stocks, real estate, etc., why could not this tax be computed on a graduating

Mr. Marriner S. Eccles, Page 2.

basis. That is, according to the profit made by the investor?

I remember several years ago I had the pleasure of writing to you about a particular matter and you certainly were very fair and broad-minded in your answer to me. Therefore, I feel that once again you will accept my remarks in the spirit written.

Very truly yours,

George H. Buecking. 

GHB:MB

March 26, 1945.

Mr. George H. Buecking, President,
Baltimore Bank,
1014 Baltimore Avenue,
Kansas City, Missouri.

Dear Mr. Buecking:

As Mr. Eccles is temporarily out of the city, I wish to acknowledge your letter of March 21, which I am sure he will be interested to see on his return.

With regard to the capital gains tax, if the alternative suggestion were put into effect, that is to say, if the present holding period of six months were extended to three years, for example, then profits received from sales of capital assets would be subject to the graduated income tax rates.

In discussing the prices, Mr. Eccles has emphasized that he is not undertaking to say that the prices of real estate, stocks, or other capital assets are either too high or too low. He has emphasized that so long as prices reflect underlying economic conditions and prospects, there can be no objection to adjustment to such basic factors. What he has objected to is the speculative activity in these fields that distorts real values and makes for instability.

You refer to people purchasing stocks for income purposes and, of course, investment of that sort would not be hit by the tax Mr. Eccles has in mind.

Sincerely yours,

Elliott Thurston,
Assistant to the Chairman.

ET:B