

WILLIAM B. ANDERSON  
NEW YORK

Hotel Warwick,  
54th Street and Sixth Avenue,

March 29th, 1945.

Marriner Eccles, Esquire,  
Federal Reserve Bank,  
Washington, D. C.

Dear Sir:

You have indicated an alarming proposal practically to freeze the economic functions of American securities. These securities represent our free enterprise system. If any further restrictions on the free flow of credit for American capital and savings is inaugurated along the lines described by you, either through the device of forbidding banking credit therefor or confiscation of the natural increment of value over and above a relatively depressed plane, then you must be prepared for another collapse in our economic life.

May I suggest that the teachings of false economy be discarded and the sound knowledge of such men as Professor Kemmerer of Princeton and others of like understanding be employed when unsound schemes are envisaged by those outside our country or by those in ephemeral positions of authority in government agencies?

Your formulas are evidently proposed for the alleged purpose of resisting inflation. Now the re-establishment of capital values is not a vehicle for the enhancement of the cost of production: on the contrary, it is necessary not only to supply an equity for our colossal Federal and State debts, but is also necessary for their support. Moreover, a healthy and growing capital structure provides economic confidence and the only real basis for an expanded employment. Its contraction brings the demoralization demonstrated by the economic collapse inaugurated in 1929 through arbitrary resources. An adequate and free credit system is necessary for progress; it constitutes the very life blood of the nation. An advocacy of arbitrary restrictions on our legitimate private credit system in the face of the billions of unsecured loans to foreign nations is fantastic and, if consummated, would inevitably weaken the basis of government credit. It is high time that those engaged in governmental activities adhere to the limitations prescribed by Article 10 of the Bill of Rights.

That a rise in security values is at the present time reasonable and normal is proved by the following facts:

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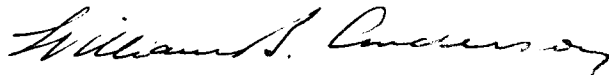
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1. Since 1939 industrial wages have increased by 64%, Federal taxes by 300%, and the general cost of living by 35%, while New York Stock Exchange security values have increased only 5%.
2. Since 1939 the national debt has increased by 400% while private capital assets in the U. S. have decreased 70% in value from their 1928-29 level.

I have long witnessed the extraordinary growth of an America based on free enterprise and a confident outlook of continued progress. I have also witnessed occasional lulls, some of which were created by false economy. I should not like to see another, and much more serious, collapse due to a similar false economy. Such a result would bring vast unemployment, home foreclosures and untold hardships which, with the enormity of the public debt, could create panic worse than 1873.

Very truly yours,



William B. Anderson

WBA:fbl

April 3, 1945.

Mr. William B. Anderson,  
Hotel Warwick,  
54th Street and Sixth Avenue,  
New York City.

Dear Mr. Anderson:

As Mr. Eccles is temporarily absent on a visit in the West, I wish to acknowledge receipt of your letter of March 29 in regard to the capital gains tax. Because you may not have seen the text of an explanatory statement which Mr. Eccles issued, I am enclosing a copy.

Mr. Eccles has not undertaken to say that security or other values were either too high or too low. He has emphasized that insofar as prices reflect underlying economic conditions and prospects, there can be no objection to an orderly adjustment of the price level. What he does object to and what this special tax would discourage is the speculative activity that is an unstabilizing influence and contributes nothing to the creation of real wealth and progress.

As a business man and banker of many years' experience, Mr. Eccles would agree with you entirely about the necessity for a free credit system, and would oppose as strongly as you anything that would deter private enterprise.

Sincerely yours,

Elliott Thurston,  
Assistant to the Chairman.

Enclosure

ET:b