

1920 Lake Street.
March 30, 1945.

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

Dear Mr. Eccles:

I am very grateful for the ideas in your letter of the 21st instant and also in the Press Release enclosed with it.

The imperative necessity for legislation to prevent inflation, and the superficial nature of existing legislation is scarcely debatable.

Your proposal would operate, in my opinion, only to inspire speculative holders of land-titles to hold on to their titles with a more dogged determination than ever, and thus decrease the supply of land available for industrial and home seekers. This would create one effect, and only one, which would be to enable those speculators who might have to sell their title deeds, to demand a higher price for them, than otherwise. But, there is no federal tax on land-titles, and as long as the law allows land-holders to deduct state and local taxes from the top income tax return brackets, there must be found some other technique for attacking the present inflationary trends, if the tragic consequences of inflation are to be escaped in the U.S.A.

The principles of taxation embodied in 12 US St at L 292(1861) were adopted and approved by the Congress before I was born.

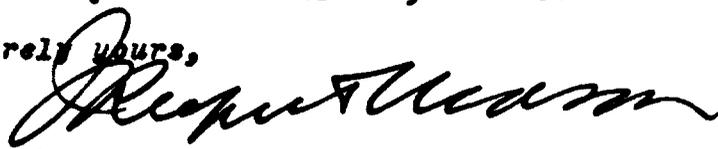
That statute, therefore, is not my "proposal", and as for its being a matter of "long-term taxation", what has that to do with the question of curbing the inflationary balloon, about to go up?

You say you want to "prevent further inflation in prices of capital assets".

May I ask if you classify land, as "capital"? Also, if you would be willing to favor me with your definition of "interest" and "rent". Many Universities teach that land (natural resources, which are gifts of nature) is capital in the same sense as are those things which are the fruit of man's work. Lincoln said that capital is the fruit of labor. But, I find few capitalists who seem at all sure what distinguishes capitalism from feudalism.

Economic wishing and guessing wont prevent inflation, and whether the citations in my letter of Feb.22 are labelled "long-term" or "short-term" is beside the point. Until you have read that 1861 law and the court decisions cited, you can not be sure that you know the economic principles involved, and the effect their application would create as a preventative of inflation. Possibly Mr. Goldenweiser will study and report to you, on this, and also on my letter of the 3rd instant, addressed to him.

Sincerely yours,



April 5, 1945.

Mr. J. Rupert Mason,
1920 Lake Street,
San Francisco, California.

Dear Mr. Mason:

This is to acknowledge your letter of
March 30, which I am taking the liberty of pass-
ing along to our economic division in the tempo-
rary absence of Chairman Eccles.

Sincerely yours,

Elliott Thurston,
Assistant to the Chairman.

ET:b