

## ZOLAR PUBLISHING CO., Inc.

33 WEST 60th STREET

NEW YORK CITY

—  
Columbus 5-1094BRUCE KING  
President

April 12, 1945

Mr. Marriner Eccles  
Federal Reserve Bank  
33 Liberty Street  
New York City

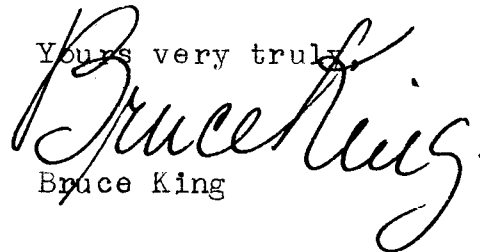
Dear Sir:

During former War Loan Drives I have been quite successful in selling a substantial amount of War Bonds. It is with much apprehension that I now view the present War Loan Drive. Persons whom I have contacted seem to adopt the attitude that the war is over and that they have already done their share in purchasing War Bonds.

While this may be natural in view of our progress on the European front, it appears that the public has gone into the stock market where they feel they can double their money in the next six months, whereas War Bonds return  $2\frac{1}{2}\%$  a year.

Should this trend become national, it might seriously affect the present War Loan and the rate of redemption on the past loans. Unless speculation can be checked in the stock market, or a ceiling put on stock security prices, it appears to the writer that we are in for another 1929 catastrophe.

Yours very truly,

  
Bruce King

BK:mjs

April 18, 1945.

Mr. Bruce King, President,  
Zolar Publishing Co., Inc.,  
33 West 60th Street,  
New York City.

Dear Mr. King:

Your letter of April 12 in regard to the importance of putting a curb on speculative activities, particularly those that attract funds from the financing of the war, is very much appreciated. It is the more impressive because of your own experience in aiding the war loan drives. The considerations you mention are among those that led me to suggest the special wartime capital gains tax, and it is most encouraging to have your general approval of the objective.

It is possible that you might be interested in seeing an explanatory statement which I issued, giving the reasons why I advocated this tax at this time.

Sincerely yours,

M. S. Eccles,  
Chairman.

Enclosure

## ZOLAR PUBLISHING CO., Inc.

33 WEST 60th STREET

NEW YORK CITY

—  
Columbus 5-1094BRUCE KING  
President

M. S. Eccles, Chairman  
Board of Governors of the  
Federal Reserve System  
Washington, 25, D.C.

Dear Sir:

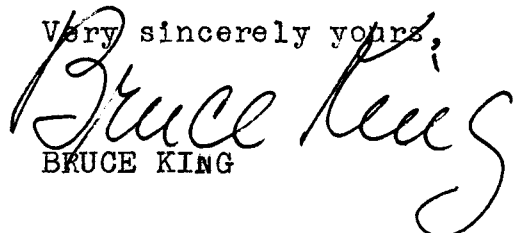
Your letter of the 18th together with the explanetary statement which you released to the press on March 2nd was very gratifying. I have gone over this statement carefully and am in full accord with its contents. In my opinion, however, you are going to have difficulty in trying to get Congress to approve of same. Too many persons in high places would be affected.

The masses who would benefit by this legislation could not be sufficiently aroused in view of the fact that the immediate need is not apparent since only a minority have the sufficient means with which to speculate in the market, real-estate or commodities. I believe that the Federal Reserve itself could take immediate means in checking unwarranted price rises either by placing ceilings on securities as of a given date, or what would be more important, by putting all securities that have not paid dividends during the last 3 years on a cash basis. The theory behind this is that dividend paying stocks are presumably bought for investment purposes, while non-dividend paying stocks are purchased purely as a speculation. In checking the market action during the past year, you will note that seasoned securities such as General Motors, General Electric, U.S.Steel, etc. have only moved within a 10 point range, whereas highly speculative issues with no dividend records for many years past have moved up as high as 30 to 40 points. This is primarily due to the fact that one can usually promise a great deal more than can be actually fulfilled.

With reference to market sell-offs, non-dividend paying stocks declined at a much more rapid pace than seasoned dividend payers. It is my belief that if a company was not in a position to pay dividends during the 3 greatest years of production, most of the glowing promises of future melons to be cut in favor of the speculative securities will vanish into thin air as they have done in the past.

Thanking you for the courtesy shown me in answering my letter, I remain

Very sincerely yours,



BRUCE KING

BK:mjs