

THE SECOND NATIONAL BANK OF BOSTON
BOSTON - MASSACHUSETTS

THOMAS P. BEAL
PRESIDENT

May 18, 1945

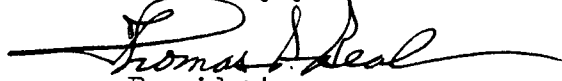
Mr. M. S. Eccles, Chairman
Federal Reserve Board
Washington, D. C.

Dear Mr. Eccles:

Thank you for your letter of May 15, explaining more in detail than was stated at the recent meeting of the Federal Advisory Council with your Board, your views on the need of establishing the 100% requirements and making a substantial increase in the present excess profits tax on capital gains. I appreciate your arguments in favor of these restrictions on speculation and have noted with interest what took place in the past which you believe the inactment of such proposals would prevent in the future. As you state, such corrections of inflationary tendencies is a matter of alternatives. Personally, I cannot help continue my feeling that the possibility of such actions further restricting the free flow of capital which will be very helpful to increased production is greater than the possible benefits to be gained under conditions as they now exist. If speculation became much greater with a substantial further increase in prices, which was largely the result of such speculation rather than the result of the relative supply and demand then it might be that the benefits of some such measures restricting speculation would be greater than the dangers. I still believe that the earliest possible increase in supply of whatever may be sought for purchase is the best means of avoiding undue increases in the price of such things.

I appreciated the opportunity of meeting with you and your Board as a temporary member of the Federal Advisory Council, and hope that sometime I may have another such opportunity of again seeing you and your associates.

Sincerely yours


President