

DINKLER

DISPENSERS OF TRUE

HOTELS

SOUTHERN HOSPITALITY



Written from The O. HENRY Hotel

W. W. BLACK, MGR.

POST OFFICE DRAWER Q

GREENSBORO · N. C. May 29, 1945

Mr. Marriner Eccles
Chairman of the Board
Federal Reserve Bank
Washington, D. C.

Dear Sir:

I may be out of place in writing you this letter, as I know that you have your pulse at all times on the economic condition of this country.

Being the sales manager of two manufacturing firms in Atlanta, I have just finished a trip that has carried me from North Carolina to Southern Texas, and I have come in contact with a number of merchandise managers, presidents of large department stores, and the expression has gone around on how long the Federal Reserve Banks are going to stand for the present wild speculation of common stocks to continue on the New York Stock Exchange and other exchanges of this country. If same continues, at the present rate of advance, we will be on our way to the happy days of 1928-1929 with the inevitable collapse which will be brought on by speculation.

During my trip, I visited a number of brokers' offices and I found people running hot dog stands, scrap dealers and all types of people buying common stocks on margins. The "sharpsters" of this country have had their pencils sharpened for sometime to again share the new crop of lamb that has been made in this country by War Profits. There are great numbers of people who have made some money and who have not been accustomed to very much money in the past. The conservative business man who went through the last war period and the depression (1929 to 1934) is not participating. It is the new crop of "new rich" that are bidding against each other for these common stocks that are now within striking distance of the 1937 level when Roosevelt had to call **stop** to speculation.

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THE O. HENRY
GREENSBORO, N. C.



THE ANSLEY
ATLANTA, GA.



THE ANDREW JACKSON
NASHVILLE, TENN.



THE SAVANNAH
SAVANNAH, GA.



THE TUTWILER
BIRMINGHAM, ALA.



THE JEFFERSON DAVIS
MONTGOMERY, ALA.



THE ST. CHARLES
NEW ORLEANS, LA.



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The time to stop a horse is before he breaks his neck, and we ~~are~~ certainly not in a condition, after the most costly war, and it not finished, to go through another collapse. Land values have been soaring in price. Old houses selling for twice what they would bring three years ago, and inferior merchandise up from 100 to 200%. An examination of the papers of this country will show every tipster service advertising and advising the Public which stocks to buy now for a new advance.

I hope, and many conservative business men all over this country hope, that the powers that control the Federal Reserve banks of this country will take steps to correct this situation.

Thanking you for your time that I am taking and my interest is only that of a business man who went through the last war and the last depression and who is endeavoring to try to keep us on an even keel and not a new collapse that may bring this great country of ours to the point of socialism.

Yours most respectfully,

David Farmer Wachtel

David Farmer Wachtel
Dixie Dress Mfg. Co.
Atlanta, Georgia

June 4, 1945.

Mr. David Farmer Wachtel,
Dixie Dress Manufacturing Company,
Atlanta, Georgia.

Dear Mr. Wachtel:

This is to thank you for your letter of May 29 in regard to stock market and real estate speculation. I am interested in having the viewpoint of a business man on the importance of inflation controls, and your letter is by no means out of order.

I want to emphasize, however, that the Federal Reserve System is wholly powerless to deal effectively either with the stock market or rising real estate values. The traditional monetary controls which would tighten credit and increase interest rates are, of course, wholly out of the question under war conditions or, for that matter, in the postwar, particularly in view of the national debt, which is already close to \$250 billions. To tighten credit and raise interest rates would serve only to make the debt management problem even more difficult to deal with and would not be consistent with reconversion and full production after the war.

The Reserve Board, it is true, has certain limited powers over margin requirements for listed securities, but even if these powers were completely exhausted, there would be nothing to halt speculative activities on a cash basis, and much of the activity today is on that basis. It was with these factors in mind that I recently suggested, as a first step in checking speculation, that the Congress adopt a stiff wartime capital gains tax. I enclose a statement on this subject which you may be interested in seeing.

Sincerely yours,

M. S. Eccles,
Chairman.

Enclosure

ET:b