



DRESSES

116 Mitchell Street, S. W.

MAIN 4733

Atlanta, Ga.

June 15, 1945

Mr. Mariner S. Eccles,
Chairman Governing Board
Federal Reserve System,
Washington, D.C.

Dear Mr. Eccles:

Your letter of June 4th., to hand, and contents carefully noted. I have also read the proposed bill on increase on Capital Gains Tax, that you submitted to the Senate Banking Currency Committee, to go in to effect as of Jan. 1st., 1945- in which you propose a 90% rate on capital gains derived from the sale of real estate and stocks.

I think you are perfectly right, in proposing this kind of bill, but no doubt the Senate would be more inclined to consider same, if you would cut the tax to 75%.

As you state, the GI bill of rights, will not be worth anything to our returning soldiers, if he has to buy farm lands at an advance of one or two hundred per cent, or small homes and businesses on the same basis. The Government will be wasting its money, and the recipient of same will be wasting his time, and a short time will be bankrupt.

A few weeks ago I made a trip from North Carolina, ^{to} San Antonia Texas, hitting all the larger cities in the entire South; I visited during my spare time brokerage houses, and talked to their managers and customers, the seats for customers in all these brokerage houses were filled, and they were all being encouraged to buy stocks. The advise being based, as you say, on the tremendous amount of liquid funds in the country. The customers were small merchants, many of which, had made quite some money in the last few years (many the first time-) farmers, and many women and others. I did not see many tried conservative business men there, men who had gone through the deflation after the first "orld" war, and the stock gamble of 1928 and 1929.

You tell me that the power of the Federal Reserve bank

Dixie Dress

MANUFACTURING CO.

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is limited, and you could not raise interest rates, owing to the fact of our tremendous nation debt, which is already close to \$250,000,000, 000.00, and will nodoubt go to \$350,000,000,000.00, so what can be done?

For a number of years, I have bought and sold personally a lot of securities, and I have also been financial adviser for some very wealthy people, of this part of the country. I did business with anumber of the largest brokers in this country; at one time I had my offices at 42 Broadway, at J.S. Bache & Co., though I was born in the state of Georgia, and went to school with the sons of Senator George; I therefore have had quite a lot of experience with the caliber of people who are shearing the backs of the lambs, as I, in my younger days, had my back among the lambs.

The first suggestion that I have, is to have the SEC to stop periodicals, and tipster sheets from Boston and New York, from being mailed out- suggesting the purchase of this and that stock. Then I would have the Telephone Co. stop taking all these long distance calls from Toronto Canada, suggesting that people purchase gold stocks, in the wild gamble that has been going on, on the Toronto Stock Exchange.

Next I would call in the heads of the Brokerage houses in New York, and give them a staight warning from the shoulder, I would show the stocks like Sears Roebuck & Co., rushed up \$20.00 odd dollars, in a short time, with their earnings up 3 cents per share in 1944, ~~in~~ 1943, and the stock advances to the tune of one hundred twenty odd million dollars in a short time.

If this did not work I would again go before the Senate Banking and Currency Committee.

Under no condition would I put myself and the Governing Board of the Federal Reserve Bank in the position that Mr. Strong found himself, after the last world war.

I have written to Senator George in regard to this, but to date have not heard from him.

If I can be of any assistance to you, call on me.

Sincerely yours,

David F. Wachtel

David F. Wachtel

June 19, 1945.

Mr. David F. Wachtel,
Dixie Dress Manufacturing Company,
116 Mitchell Street, S. W.,
Atlanta, Georgia.

Dear Mr. Wachtel:

This is to thank you for your letter of June 15. Let me say that while I mentioned a 90 per cent capital gains tax for wartime as an effective inflation control device, I have not submitted any bill. If one is to be considered, it will have to originate, under the Constitution, with the Ways and Means Committee of the House. There has been some talk of an alternative, which I think would also be effective; that is, to extend the present holding period from six months to say three years.

I feel as you do that the tipster sheets whetting the speculative appetite and fever are an evil. How to stop them by Government action without being accused of interference with freedom of speech and press is another matter.

I appreciate having your comments.

Sincerely yours,

M. S. Eccles,
Chairman.

ET:b