

Written at
Essex Junction, VT.
Jan 19 '46

Mr. Marriner Eccles, Chm.
Federal Reserve Board
New York City.

Dear Sir —

Enclosed you will please find a clipping from the Boston Herald, of this date, which I believe should be of interest to yourself and the Board.

The writer, Edson B Smith, I have been following for some time and his comments always appear sound.

Today, you will note what he has to say, regarding the capital gains tax. This has been a disputed issue for a long time. Perhaps now that the war is over, it is really time for a change.

Another point brought up, is in regard to interest rates. Ever since 1933, when Pres. Roosevelt shut off the money market to finance public works, etc., interest rates have been forced down to the lowest point in the nation's history. Why is not the present, an opportune time, to initiate a gradual rise in interest rates, even if it takes several years. Commercial and savings banks, individuals with money at interest, have been starved long enough, I should say. Why can't someone start to give these groups a break? Were interest rates higher, the Federal Government might be more prudent and thrifty. I would indeed be pleased to have your comments.

Very truly yours, Safford Adams

27 ZABRISKIE ST. JERSEY CITY, N.J.

February 8, 1946.

Mr. Safford Adams,
27 Zabriskie Street,
Jersey City, New Jersey.

Dear Mr. Adams:

This is to acknowledge your letter of January 19 enclosing the clipping of Edson B. Smith's column from the Boston Herald. He has made before and makes again the typical stock market argument against any capital gains tax, even on a temporary basis for the purpose of curbing speculation not only in stocks but, more particularly, in homes and farms.

He concedes, however, that "a high tax on capital gains would certainly discourage some speculative buying." His argument that it would discourage selling by those who had profits will not stand up under analysis. I would not make the tax retroactive beyond the date of introduction. Accordingly, it would not affect holders of capital assets who have profits and there would be no reason why they would not sell to realize those profits. It would, of course, deter buying for the speculative rise and that is exactly what it is intended to do. In fact, by stimulating selling and deterring speculative buying, it should have a most desirable deterrent effect on prices.

With regard to interest rate policy that, of course, is a matter that is primarily within the province of the Treasury and is a matter of current discussion, so that I would not feel that it would be appropriate for me to attempt to comment on it at this stage.

Sincerely yours,

M. S. Eccles,
Chairman.

ET:b