



30 ROCKEFELLER PLAZA - NEW YORK CITY  
CABLE ADDRESS "GUARDIALA NEW YORK"

January 28, 1947. A

Enclosed is an excerpt from my  
broadcast last Saturday evening over  
the Mutual network.

If you have any comment or do not  
agree, I will appreciate same. Otherwise,  
do not trouble to acknowledge.

F. H. LaG.

happened with other lines when price controls were liberalized. The real estate lobby has been saying that they were out for a 15% increase in rents. This looks like the first entrance; this looks like the first grab; this looks like they're going to get it. Present regulations are sufficient to deal with special, unusual, hardship cases.

This liberalization was not necessary. It is the first move toward decontrolling rent. It will mean millions and millions and millions of more dollars out of the pockets of the rent payers.

RETURN TO MARGIN TRADING

Oh, did you hear about the stock broker who was called for jury service in New York City and was excused because he said he was in the gambling business? Well, the next day he was fired from the New York Stock Exchange because he made that statement, and we all here had a good laugh. Well, the Stock Exchange's face was red, and then they reinstated him.

Now, buying on margin whether wheat or cotton or stocks, is gambling. That's nothing new. So, if you cannot afford to lose, keep away from the ticker.

But here's a good one. While we are striving to get to a normal cost of living, to avoid inflation, to increase production, and to curb speculation, what do we hear from Washington? Now, here's another boner. What has happened to our Federal Reserve Board? Have they forgotten the lesson of 1920? Do they want to start another orgy of speculation and another carnival of gambling, which brought about

the crash of 1929?

FEDERAL RESERVE BOARD REDUCES  
MARGIN REQUIREMENTS

Last week, if you please, the  
Federal Reserve Board announced

the return to margin trading by reducing the margin of cash require-  
ments to 75% from 100%. Just makes it easier for the gamblers.

You know, this isn't investment, this margin buying, in bonds or  
stocks that one buys and puts away in the safe as an investment.

Oh, no! This is just gambling, like rolling the bones, or spinning  
the wheel - that's buying on margin.

Now, Washington had better give more attention to housing, to the  
cost of living, to production, and jobs.

FEDERAL RESERVE BOARD SHOULD REDUCE  
INTEREST RATES ON MORTGAGE LOANS  
AND TO FARMERS

And say, Mr. Federal Reserve  
Board, if you're so interested  
in margin, why don't you tend

to your job? Why don't you provide lower interest rates on  
mortgages and loans for houses, lower interest rates for our farmers  
who are producing?

I think it's a pretty sad spectacle, when our Federal Reserve Board,  
in these very critical times, in these times when we're trying to  
hang on, gives so much attention to the speculators, to the margin,  
to the ticker tape boys. Oh, come on, Federal Reserve Board, snap  
back into it; snap back into it, and get busy, and see that the  
owner of a little home can get a mortgage at less interest; and also  
the farmer.

And next week the unauthorized spokesman of unorganized Americans  
will be back.

January 31, 1947.

Mr. F. H. LaGuardia,  
30 Rockefeller Plaza,  
New York City.

Dear Mr. LaGuardia:

This is to acknowledge your memorandum of January 28 enclosing an excerpt from your broadcast last Saturday evening over the Mutual network. I am glad to have an opportunity to comment because in two respects the statements you make are seriously in error.

With respect to the first, I enclose the text of a statement which you evidently had not seen or read, which I gave out in connection with the reduction in margin requirements from 100 per cent to 75 per cent. I am surprised that you, as a former member of Congress, are not aware that the Board has no authority under the Securities and Exchange Act to impose a permanent prohibition on margin trading. While you were not a member of the House when the legislation was enacted, I had supposed you were sufficiently familiar with this important piece of legislation to know that the Congress specifically refused to approve of proposals that would have imposed a permanent ban on margin trading. The authority given to the Board was confined to fixing requirements with a view to preventing the excessive use of credit in buying listed securities. The idea that this or any other Board with the slightest sense of public responsibility wants "to start another orgy of speculation and another carnival of gambling," as you suggested in your radio address, is a familiar but, I think, a below-the-belt way of aspersing public officials. Have you forgotten that the 1929 orgy to which you allude was based to a large extent on margins of no more than 10 per cent? That is quite a distance from 75 per cent.

The second respect in which your broadcast is wholly misleading is your demand that the Board lower interest rates on mortgages and loans for houses and also interest rates for farmers. Here again, I would have supposed that in your long public service you would have known that the Federal Reserve System has no authority to make loans on mortgages or crops. I would have supposed that you were aware that interest rates are and have been for a long time at the lowest levels

Mr. F. H. LaGuardia - (2)

January 31, 1947

in history. The only authority the Board has is to fix discount rates, which are at the low level of 1 per cent, and through open market operations to maintain the Government bond market, in which the certificate rate on the shortest marketable security is  $7/8$  of 1 per cent. In other words, the interest rates about which you seem to complain are those charged by private lending institutions. Certainly you cannot justly complain that discount or Government security rates are high. The major complaint has been that they are too low, and while I do not agree, I am equally in disagreement with your idea that they are not low enough.

How could you get cheaper money except by creating more and more of a supply through deficit financing? That has been one of the basic causes of the inflation which we have already suffered.

The housing problem has not been caused by any lack of money or credit. The greatest difficulty is the high prices due to shortages and to the high cost of labor and materials.

I appreciate your referring these excerpts from your radio talk to me for comment, but I wish I had seen them before instead of after they had gone out on the air waves to mislead your audience. Corrections never catch up with errors of this kind.

Sincerely yours,

M. S. Eccles,  
Chairman.

ET:b

January 31, 1947.

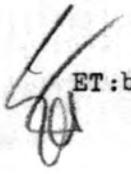
Mr. F. H. LaGuardia,  
30 Rockefeller Plaza,  
New York City.

Dear Mr. LaGuardia:

After mailing my letter to you in regard to your recent broadcast, it occurred to me that I should have added one request. You have always enjoyed a reputation for fair play and for that reason it occurs to me that you might undertake to correct the misunderstanding which your previous broadcast undoubtedly created with your radio audience. Needless to say, I would greatly appreciate it, even though corrections do not catch up with misinformation.

Sincerely yours,

M. S. Eccles,  
Chairman.



ET:b



30 ROCKEFELLER PLAZA - NEW YORK CITY  
CABLE ADDRESS "GUARDIALA NEW YORK"

February 10, 1947. A

Dear Mr. Eccles:

Enclosed is an excerpt from my broadcast on Saturday over the Mutual network. You will note that I read your criticism of me. Though I think you were unduly harsh, you certainly are entitled to have your say.

I am quite disturbed and bothered about interest rates and expect to keep driving on the subject.

May I come in to see you some time when I am in Washington?

Sincerely yours,

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

the present regulations are enough. Let there be no subterfuge about it, under the guise of hardship cases, to permit a general increase. That must be stopped. Nothing but protests from home will be able to do it. The real estate lobby is hard at work in Washington. They have resources. Get busy; and get busy, quick!

F.R.B. REDUCTION OF  
MARGIN REQUIREMENTS

Two weeks ago I talked about the Federal Reserve System reducing the cash requirements in margin buying of stocks and margin trading of commodities. I am in receipt of a communication from M. S. Eccles, Chairman of the Board of Governors of the Federal Reserve System, in which he takes issue with my conclusions. This is what he writes me, and I quote: "Congress specifically refused to approve of proposals that would have imposed a permanent ban on margin trading. The authority given to the Board was confined to fixing requirements with a view to preventing the excessive use of credit in buying listed securities. The idea that this, or any other Board with the slightest sense of public responsibility wants 'to start another orgy of speculation and another carnival of gambling', as you suggested in your radio address, is a familiar but, I think, a below-the-belt way of aspersing public officials. Have you forgotten that the 1929 orgy to which you allude was based to a large extent on margins of no more than 10 percent? That is quite a distance from 75 percent."

That's the end of Mr. Eccles' letter. I'm happy to read Mr. Eccles' statement, but I still believe that there was no good reason why the 100% cash requirement for this gambling should not have remained.

MARGIN TRADING Now, what is margin trading? I say it's gambling.

Funk and Wagnalls New Standard Dictionary says:

Gamble: "To lose, squander, or dispose of by gaming; to play a game of chance, for stakes." Now, get this, not mine, Funk and Wagnalls: "Pretend to buy or sell, depending upon chance variation in prices for gain; as to gamble in wheat." Get that? To gamble in wheat, or stocks.

Now, here's the way it's done. Mr. Sucker gets a tip on Monkey Business, Incorporated. He places an order with a broker for 10 shares at \$50 a share. He deposits, under the last ruling of the Federal Reserve Board, \$375. The tip was wrong, as they usually are. In a couple of days the stock goes down to \$40 a share. He tells his broker to sell. He has lost \$100. He can't stand any more loss. His broker sells, and returns to him \$275 of the \$375 deposited, less commission.

Mr. Sucker has never seen the stock. He never intended to hold it. He doesn't give a rap about the business of that particular company.

Now, let us take a margin trader in commodities - wheat! He wakes up one morning, reads some news which would indicate that wheat is going up. He's a big player. He buys 10,000 bushels of wheat at \$2.25 a bushel. He deposits \$16,875, 75% of the total cost, according to the Federal Reserve rules. Wheat goes up two points. He orders his broker to sell. He gets his money back, plus \$200 profit.

He has never seen the wheat. He would not know a wheat field from a tobacco field. He does not know whom he bought it from or sold to. He has never heard about the Farmers Union Grain Terminal Association. He

knows nothing about agriculture. He's not interested in it. He is just gambling on the fluctuation of the price in the market. This does the farmer no good, just as the margin stock trader does industry or business no good.

Now, I ask, why provide 25% credit for these people? It is my belief that the action of the Federal Reserve Board did nothing but aid the gambling in securities and commodities. I say make it hard for the speculators and they will put their money in sound investments, which will do the country some good.

Incidentally, the Federal Reserve Board with all its authority, could render no greater service than to insist that Congress ban all margin trading. This would help business; this would help industry; and this would be a great help to the American farmer. Trading on margin is no more helpful to the economy of our country than a crap game.

BUILDING TRADES AGREEMENT President Truman hailed last Saturday an agreement between the Associated General Contractors of America and the Building and Construction Trades Department of the American Federation of Labor as a step in the right direction and as an assured plan to avoid strikes in heavy construction, in building, and in highways and roads.

I'm not as confident as the President, for I do not believe that this agreement will do much good. It is not new. We have had the same plan in New York and Chicago. And, mark you, the national agreement does not include these two cities. It has not worked in New York nor has it worked in Chicago. The Washington agreement is not sufficiently broad and has no power of enforcement.

February 17, 1947.

Dear Mr. LaGuardia:

Let me say in response to your letter of February 10 that I should be glad to see you at any time when you are in Washington. I must admit, however, that if my conversation is no more effective than my correspondence appears to be, I fear that it will not clear up the misunderstanding which still exists in your mind and re-appears in your broadcast, copy of which you kindly enclosed.

I thought I said as simply as language will permit that this Board does not have any authority from Congress to abolish margin trading permanently. Nevertheless, you told your radio audience that you still believed "that there was no good reason why the 100 per cent cash requirement for this gambling should not have remained." Then you go on to talk about margin trading in wheat, and make the astonishing statement that the Federal Reserve fixes rules for this kind of trading. We have no authority of any kind whatsoever over wheat, cotton, or any other commodities.

While I did not intend to be unduly harsh in my previous letter, I naturally feel aggrieved when a prominent public figure like yourself so misrepresents the facts -- unintentionally no doubt -- but nevertheless unfortunately from the standpoint of public information. I appreciate your reading some of my letter, but I am sorry you did not read the part on interest rates as well because your previous broadcast was as far off base on this subject as the subsequent one was in accusing the Board of encouraging "gambling" in commodities, over which we have absolutely no control.

I wish you could clear up these mistakes on the air, but I hesitate to suggest it now unless you and I could get together in checking the facts so you will have them straight the next time.

Sincerely yours,

M. S. Eccles,  
Chairman.

Mr. F. H. LaGuardia,  
30 Rockefeller Plaza,  
New York City.



30 ROCKEFELLER PLAZA - NEW YORK CITY

February 24, 1947

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

My dear Mr. Eccles:

Thank you for your letter of February 10, 1947.  
I hope to be in Washington sometime next week.  
I will wire you ahead and, if convenient for  
you, will greatly appreciate it if you will  
fix a time so that we can have a talk.

I expect to continue hammering on interest  
rates and, of course, against margin trading.  
I do want to be fair. I am advocating that  
all salaries and expenses of the Federal  
Reserve System and the Board of Governors  
should be paid by the United States.

Thanks so much for giving me the opportunity  
of a talk with you. I appreciate more than  
I can tell you to be corrected any time I am  
wrong.

With kindest personal regards, I am

Sincerely yours,

b

February 27, 1947.

Dear Mr. LaGuardia:

I have your letter of February 24, and I shall be pleased to see you at any mutually convenient time when you arrive in Washington.

I am sure that you wish to have the facts correctly and to be entirely fair. If that were not so, it would be a waste of your time as well as mine for us to discuss these matters in which you have a particular interest.

With kindest personal regards,

Sincerely yours,

Mr. F. H. LaGuardia,  
30 Rockefeller Plaza,  
New York City.

 ET:b

February 6, 1947.

Dear Senator Tobey:

In accordance with our telephone conversation this morning, I am glad to send you a copy of my correspondence with Mr. LaGuardia in connection with the misrepresentations in his radio broadcast.

With best regards,

Sincerely yours,

M. S. Eccles,  
Chairman.

The Honorable Charles W. Tobey,  
United States Senate,  
Washington, D. C.

Enclosure

ET:b