

Federal Reserve Head Seeks Controls Of Speculation

Marriner Eccles, Chairman of the Board of Governors of the Federal Reserve System, has asked the Senate Banking and Currency Committee to consider a "special wartime capital gains tax" which would apply to real estate as well as to securities and other capital assets.

Eccles favors a confiscatory 90 percent tax rate applied to all capital gains derived from the sale, within two years, of assets acquired within a period to be specified by Congress. He suggests that this period should be from January 1, 1945, until inflation is no longer a problem.

Because of the incendiary effect of land speculation on wage stabilization, William H. Davis, head of the Office of Economic Stabilization, has been probing the results of the present real estate speculation. On the other hand, Price

Administrator Chester Bowles is finding it tougher and tougher to control rents in the face of a runaway real estate market. The C.I. O. and the A.F.L. have advocated direct government action.

According to "Business Week" the value of residential properties in large urban areas increased an average of 30 per cent to 40 per cent for the country as a whole between July, 1940, and December, 1944. The boom has been most marked wherever the war has brought a swollen population and overcrowding. A joint survey by FHA and private interests in Los Angeles showed an average increase of 59 per cent in the price of single dwelling units between 1940 and 1944.

Farm land values also have continued their steady advance. During the year ended November, 1944, the increase for the country as a whole was 14 per cent over the previous year. It is thought, however, that the real danger will come some months from now when labor and equipment are again available and returning veterans come home and endeavor to buy farms.

"Business Week" notes that there is less than a 50-50 chance that anything will be done because of the opposition by various groups. It holds that the only legislative possibility at this time is an increase in the holding period under the present capital gains tax, in lieu of Eccles' special tax.

J. Rupert Mason, San Francisco investment banker and fiscal authority, pointed out in a letter to the HENRY GEORGE NEWS that the Eccles tax on speculation would accomplish the reverse of its object. It would encourage the holding of land for a period after this tax should be relaxed. It would, therefore, make available land more scarce and have an inflationary effect on land prices. The effective way to make land available at low prices, said Mr. Mason, is to collect the annual rental value of land for society.