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## T A X A T I O N

### EXCERPTS FROM PUBLIC STATEMENTS, 1935-1939.

1935

"As private bank credit expands, and the velocity of existing funds held by corporations and by the people in banks increases, a condition of fairly full employment may be expected. At that time income taxes should be increased and not decreased, and Government obligations should be reduced as the community's obligations are increasing." - (Hearings on Banking Act of 1935, March 4 - 20, 1935.)

1936

"\* \* \* the principle of forcing idle money in corporations into circulation is absolutely fundamental \* \* \*. That will tend to balance the budget." - (Address, University of Cincinnati, March 27, 1936.)

"Purchasing power can only be maintained by private business as a whole disbursing its income, or insofar as it fails to do so, by government expenditure either on the basis of deficit-financing, or by taxing in such a way as to insure the flow of funds that individuals and corporations otherwise would accumulate and maintain in idle balances, \* \* \*." - (Address, Wharton Institute, May 8, 1936.)

1937

"I have not been and I am not now in favor of balancing the budget at the expense of the destitute and the unemployed who are unable to find private employment, but I am in favor of increasing taxes on incomes and profits if necessary to sustain the volume of relief and at the same time bring the budget into balance \* \* \*." (Statement on Credit and Monetary Policy, March 16, 1937.)

1937 (continued)

"It would be well to consider how this (undistributed profits) tax can be made to function more equitably, particularly with reference to small business \* \* \*."

"I feel that the Government in its policy of taxation and spending must adapt itself to changes in the national income created by private enterprise \* \* \*." - (Address before the American Farm Bureau Federation, December 14, 1937.)

1938

"At a time when national income has attained a high level and is rapidly increasing, there should be an increase in taxes on an equitable broad basis, not only for the purpose of reducing the public debt if private credit is expanding rapidly, but also in order to provide for necessary social services. This would be desirable not merely on humanitarian grounds but it would also be economically sound as a means of maintaining a balance between savings and investment on the one hand and consumption on the other. By thus keeping up consumption at a sufficient level to absorb production, protection would be afforded to existing investment and encouragement given to new investment. Such a policy of maintaining a large volume of government expenditure, on the basis of a balanced budget and through a broad tax base, has been successfully pursued in England and some of the other democratic countries." - (Address, New Jersey Bankers Association, May 13, 1938.)

"We must recognize that taxation policy should be closely integrated with monetary and fiscal policy--that taxation is not a separate matter concerned only with the raising of revenue, but that the type, the timing and effect of taxation upon the stimulation of private enterprise or upon restraint if a speculative boom threatens must be considered.

\* \* \* tax policy will prove a useful aid not only as a stabilizing influence, but as a mechanism for timing and directing a flow of funds in the economy as a whole, so that tendencies towards

1938 (continued)

accumulation of idle funds may be offset, or conversely, when there is need for more capital accumulation, it can be stimulated. In other words, it seems to me that we may well consider the influence that tax policy may have in contributing to a well balanced relationship between consumer buying power on the one hand and savings and investment on the other hand. Such a balanced relationship is essential if we are to maintain reasonably full employment which, in turn, is a necessary condition not only for the protection of existing values of loans, investments and other forms of capital, but also to provide further opportunities for profitable investment of new savings." - (Address, New York Chapter, American Institute of Banking, December 1, 1938.)

1939

"I am as anxious as anyone to see the Federal budget balanced. In my judgment this cannot be accomplished until the national income is higher than it will be this year. I do not believe it can be done at this time either by reducing government expenditures or by increasing Federal taxes, particularly those that bear most heavily upon consumption." - (Radio Address, National Radio Forum, January 23, 1939.)

"As to tax deterrents, I, too, should like to remove those taxes that are discouraging new investment. On several occasions I have expressed my view \* \* \* that our estate tax system should be improved by reducing exemptions and opportunities for avoidance; that the rates in the middle income brackets should be increased--that is, on incomes of from three to fifty thousand dollars a year; and that the base of the income tax should also be broadened by reducing exemptions.

"However, in my judgment, the most important tax deterrents on business activity are those taxes which bear directly on consumption. And, therefore, the most important tax reform would be to reduce consumption taxes, \* \* \*. This would increase the purchasing power of consumers and stimulate the markets for business and industry. Such a reduction in taxes should be made up--since I think no one will argue that we should reduce revenue--

1939 (continued)

by taxes that will fall in large part on those individuals and corporations whose incomes tend to increase the already large volume of idle funds." - (Address, Harvard Business School Alumni, June 16, 1939.)

"We have increased national saving and decreased consumption through the operation of our unemployment insurance program. The changes in our old-age security program now pending will alleviate this situation slightly. \* \* \* We shall also have to reconsider our entire tax structure, with a view to decreasing taxes on consumption and increasing taxes on income that would otherwise add to unused investment funds." - (Statement to the Banking and Currency Committee of the Senate, July 19, 1939.)