



THE GENERAL COUNSEL OF THE TREASURY

WASHINGTON

25

July 29, 1943

Dear Marriner:

I am sending you herewith a copy of Dun's Review which contains my article on "Corporation Taxes and the War Time Tax Structure."

Sincerely,

A handwritten signature in cursive script, appearing to read "M. Douglas", written in black ink.

Honorable Marriner S. Eccles
Chairman, Federal Reserve Board
Federal Reserve Building
Washington, D. C.

Enclosure

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date August 11, 1943.

To Chairman Eccles

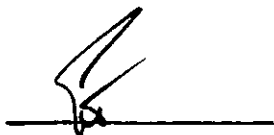
Subject: _____

From Mr. Thurston

The most striking statement in Randolph Paul's article in Dun's Review (which I've sent up to Musgrave) to my mind is the one that "for profitable corporations undistributed profits retained during the four years, 1940-1943, are estimated to aggregate \$16,200,000,000 compared with only \$5,900,000,000 in the preceding four-year period. For both profitable and unprofitable corporations, estimated net undistributed profits of \$9,800,000,000 for 1940 through 1943 compare with an excess of distributions of income of \$3,200,000,000 for 1936 through 1939."

At the same time, as he points out, dividends have been maintained and for 1943, he estimates, can be maintained by distributing only about half of earnings after taxes (as compared with distributing three-fourths of earnings from 1936 to 1938.)

I am not trying to draw any conclusions, though superficially it suggests some further area for corporate taxation, but I've asked Musgrave to read the article -- it's very good.



August 11, 1943.

Dear Randolph:

Thank you for sending me your article in Dun's Review. I was struck, particularly, by your estimate that profitable corporations for the years 1940-43, will have retained more than 16 billions--9.8 billions for all corporations.

Your comments, with which I fully agree, on the role of taxation in inducing new investment in the future, are all to the good.

Sincerely,

Mr. Randolph E. Paul,
General Counsel,
Department of the Treasury,
Washington, D. C.

 ET:jh