

WILLIAM H. COMPTON & Co.

ACCOUNTANTS

AUDITORS

BROAD STREET BANK BUILDING

TRENTON, NEW JERSEY October  
Second,  
1941.

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

Dear Sir:

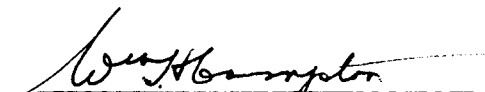
I am very glad to note your reaction to the recent proposal limiting corporation profits to 6% of invested capital. If profits were so limited, there would be nothing for stockholders, or in a great many instances, not sufficient to pay debts. I know of companies whose debts are such that it is necessary to set up an annual sinking fund in excess of 10% of the invested capital. In cases of this kind, how could a corporation meet this obligation and at the same time pay something to shareholders? The fact that a company may retain 6% of its earnings does not at all mean that this goes to the shareholders. I feel quite certain that if the shareholders could receive 6% consistently, that they would be very much satisfied. Naturally, earnings are used for expansion, for the payment of indebtedness and for setting up reserves for contingencies and also for the payment of dividends to shareholders. Unless all of these factors are taken care of, it certainly means a great change in our capitalistic system, if not the end of it.

There are some large corporations whose capital is such that they would lose nothing by a bill such as been proposed. On the other hand, there are thousands of small corporations who would find it impossible to exist under such a profit limitation.

I trust you will use your best efforts in order to defeat a proposal limiting profits to 6%.

Very truly yours,

WILLIAM H. COMPTON & CO.,

  
Certified Public Accountant.

WHC\*GMS.

October 9, 1941.

Mr. William H. Compton,  
William H. Compton & Company,  
Broad Street Bank Building,  
Trenton, New Jersey.

Dear Mr. Compton:

I wish to thank you for your letter of October 2 in regard to the proposal for limiting corporation profits to 6% of invested capital.

As an accountant you are fully aware, as your letter indicates, of the inequitable results of attempting to apply any such flat rate. However, it is my impression that the proposal was somewhat misunderstood and thereby caused a disproportionate amount of criticism. I am sure that the Treasury tax experts recognize the points that you have brought out in your letter. So far as I am concerned, I have advocated all along the so-called floor and ceiling plan.

I appreciate having your views and your courtesy in writing.

Sincerely yours,

M. S. Eccles,  
Chairman.

ET cm