

P. E. TILLMAN
4737 RAVENSWOOD AVE.
CHICAGO, ILL.

October 7, 1941

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

Dear Sir:

I have noted with interest your opposition to the plan of the Secretary of the Treasury to limit corporation profits to a flat six percent on invested capital during the emergency.

Without a doubt, you have the foresight to realize that this measure is tremendously inflationary rather than deflationary as it is represented. First of all, those corporations earning more than six percent, of which there must be a considerable number, would have no interest particularly in running their business economically and carefully and would spend considerable sums on maintenance, repairs and supplies that they would normally do without. Undoubtedly, they would also be very free with distributions of uneconomical bonuses, and wages and salaries, even though it would be difficult to correct such a situation at a later date. The tax that would be collected on these distributions would be very negligible as they of course would go to a great extent to the smaller tax paying group.

I would also consider this most unfair to the smaller corporations who find it necessary to develop their business by retaining earnings for expansion. They certainly will not do it on six percent.

I also wonder if the Secretary has given due consideration to the necessity of many corporations re-establishing their reserves so that they will be in a position to carry through the difficult years which lie ahead and to prevent undue lay-offs and unemployment. Furthermore, the National Defense program would be seriously hampered as it would be necessary for industry to expand inventories and accounts receivable and fixed investment required to meet the necessary needs of today almost entirely on bank loans. I am sure that such a condition offers many difficulties.

In addition, there are a great number of cases where, through consolidation, merger, etc., huge sums of good will have been capitalized which would place such companies at a tremendous advantage over their competitors who have not gone through such a financial operation.

I feel that every possible means should be used to discourage such a bill, not because I, individually, would be affected, but entirely from a National economical standpoint.

Yours very truly,

A handwritten signature in cursive script, appearing to read "C. H. ...", is written over a horizontal line.

PET:vw

October 13, 1941.

Mr. P. E. Tillman,
4737 Ravenswood Avenue,
Chicago, Illinois.

Dear Mr. Tillman:

This will acknowledge your letter of October 7 in which you comment on the recent suggestion of the Secretary of the Treasury that all earnings of corporations above a certain percentage - say 6%, be taxed back by the Government.

Your letter mentions a number of important practical considerations that must be weighed in evaluating a scheme of this kind. I, myself, would not favor such a tax, although I am heartily in favor of a very heavy excess profits tax on business corporations during the present emergency as an aid in combating inflation.

Thinking you may be interested in looking it over, I am enclosing herewith an excerpt from my testimony on the price control bill, which relates to the subject matter of your letter.

Yours sincerely,

M. S. Eccles,
Chairman.

Enclosure

LC cm

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copy
RL*

P. E. TILLMAN
4737 RAVENSWOOD AVE.
CHICAGO, ILL.

October 17, 1941

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

Dear Mr. Eccles:

Thank you for your letter of October 13th, enclosing an excerpt from your Testimony before the House Banking and Currency Committee, outlining your thoughts regarding excess-profits taxation. Your ideas, I believe, have much more sound economy than those submitted by the Secretary of the Treasury.

However, I do feel that it would be only fair to those firms who have established themselves as substantial profit makers before any defense efforts were started to be given the opportunity of establishing a valuation of their capital stock prior to the imposition of the excess-profits taxes which you propose. It is patently unfair for such firms who have kept their invested capital down as compared with competitors in their own line of business who have established large investments thru the capitalization of trade names, good will, and so forth, and other financial operations to be taxed at such high rates when these latter companies enjoy exemptions merely through a financial transaction.

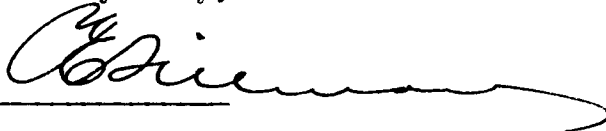
Your excerpt has reference to corporation taxes only. In my opinion, it is not corporation profits which are going to be responsible for inflation; rather, it is going to be the vast amount of wages and salaries paid to the employed individuals of this country. As to the increased taxes as suggested in your excerpt or in the Plan proposed by the Secretary of the Treasury, corporations are not going to be fussed as to the amount of wages distributed by them, because, after all, any accomplishments by good management is going to reflect very little to their own benefit except to keep them in business. Their inclination will be to make large wage and bonus distributions because they are deductible from tax purposes at practically no cost to them. Unless and until the Congress establishes a fair basis of taxing this huge distribution of wages and salaries, this inflation threat which is so serious is still going to overhang the country.

If Congress considers the heavy taxation of the lower income group as politically unsound and they are worried about maintaining their own jobs, their expecting to pay for this defense effort with corporation taxes and those individuals earning about ~~at~~ \$10,000 a year, is complete nonsense.

It is absolutely essential that substantial taxation be placed upon any one earning wages or salaries. It is certainly not impossible for a married man earning \$2500. to \$3,000. a year to pay more than from \$82.00 to \$123.00 as under the current tax bill. In my opinion, he should pay about 10%. A single man in the same classification from 12% to 13% and proportionately down to the group making \$1,000, where a single person would pay \$60.00 in taxes and a married person \$15.00.

I realize that Congress would look aghast on such a proposition, but it is going to take such a measure to siphon off the excess funds which are being spent and also to pay for the one hundred to one hundred and fifty billions of dollars debt which is going to be incurred.

Yours very truly,



PET:vw