

FIRST AND AMERICAN NATIONAL BANK OF DULUTH

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ESTABLISHED 1879

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CAPITAL FUNDS OVER \$5,000,000.00

AFFILIATED WITH NORTHWEST BANCORPORATION

DULUTH 1, MINNESOTA

February 28, 1946

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JOHN L. EVANS, AUDITOR

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

Dear Mr. Eccles:

Your continued advocacy of "A substantial increase in the capital gains tax to put the brakes on speculative buying, especially in the stock market" (as your proposal is described in the Chicago Journal of Commerce) is both amazing and disturbing, inasmuch as experience and reason both prove that the proposed cure is neither sound nor equitable.

Experience and reason both tell us that capital gains taxes tend to retard sales as prices rise because owners of capital try to avoid the resultant tax on principal value and thus on capital itself. If an increased capital gains tax were to apply only to new purchases, the effect would be the same. It would not discourage purchases but would discourage sales. When sellers are penalized by capital gains taxes or in any other way, the effect is bound to produce an accentuation of the rise which would otherwise have been moderated by sales.

Also, from the viewpoint of sound Business-Government relationships your proposal to increase capital gains taxes is regrettable. A capital gains tax is a tax on capital. A tax on capital discourages private enterprise and fosters conditions inducive to further extensions of Government ownership and management of business. Instead of increasing the capital gains tax, the present tax should be eliminated.

Admittedly, the solvency of the Government requires adequate revenues, but those revenues should be derived from taxes on income not taxes on capital. If adequate private income is to be available from which to derive the taxes, it is essential that private enterprise should be encouraged to produce goods, jobs and profits. If the price level of consumer goods is to be held within bounds, it is essential that quantity production of goods should be encouraged.

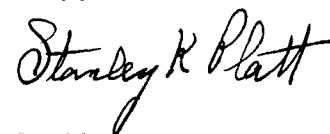
There are only two ways in which the Government can prevent or retard inflation. One way is to maintain a rigid control over the quantity of money. The other is to direct the flow of money into the production of goods. Administration policies, even before the War, and the needs produced by the War resulted in a loss of control over the quantity of money. This is not the proper time to discard the other means of controlling inflation. Production of goods must be encouraged through every possible channel. It is not so significant

whether someone makes a profit, but it is highly essential that production of consumer goods should increase sharply and soon. Paper profits in productive goods will disappear fast enough once the big initial demand for consumer goods has been satisfied. It would be much better for the Country if the Government would encourage people to put money into productive goods, which will help prevent inflation in consumer goods, than it would be for all existing money in the hands of individuals to clamor after consumer goods, made more scarce by short-sighted Government policies aimed at eliminating profits rather than at encouraging production.

It is self evident that if Government revenues are to meet essential budgetary needs, all income should be subject to taxation and no income should escape, whether it be the direct income of individuals or the indirect income of individuals through the ownership of corporation securities. To reach individual income obtained through ownership of stocks of corporations operating at a profit it is not necessary or desirable to attempt to do so through a capital gains tax but it is important that this income be reached in some other way, - yet without imposing double taxation. Various proposals have been made for eliminating double taxation of income paid to individuals in the form of dividends. The best of these proposals should be determined and adopted.

The potentials of inflation exist. Let us avoid aggravating errors on a national scale - such as an increase rather than an elimination of the capital gains tax. Let us aim our efforts at increasing production and retarding inflation in the prices of consumer goods. Only by facing the facts in a realistic manner and by taking appropriate actions in line with the facts can we avoid an aggravation of existing inflationary threats. For these reasons I respectfully request that you reconsider the position which you have taken regarding taxation of capital gains and instead work for a constructive change in our system of Federal taxation.

Yours sincerely,



Stanley K. Platt

SKP:EC

Copies to:

Senator Joseph H. Ball
Senator Walter George
Mr. Eric A. Johnston
The Honorable Harold Knutson
The Honorable William Pittenger
Mr. Emil Schram
Mr. Eugene W. Stetson
Mr. J. Cameron Thomson
Mr. Fred L. Vinson

March 7, 1946.

Mr. Willis D. Wyard, President,
First and American National Bank,
Duluth 1, Minnesota.

My dear Mr. Wyard:

I am taking the liberty of sending you a copy of a letter dated February 28 which I received from Mr. Stanley K. Platt, assistant vice president in your Trust Department. The letter is written on the stationery of your bank and Mr. Platt states that he has sent copies to nine influential citizens, including Senator Ball, Senator George, who is Chairman of the Senate Finance Committee, two of your Congressmen, and the Secretary of the Treasury.

I would appreciate your courtesy in advising me whether this letter expresses the viewpoint of the bank. I would suppose that the recipients, seeing it, would so conclude and that it might, therefore, have some influence with them. If that is the case, I would feel that in justice to myself I ought to write possibly to the Senators or the Congressmen so that silence on my part would not be construed as assent.

I would disagree with a number of things contained in this letter. For example, I think it of real importance, as a step in protecting the country against inflation, that some further step which would be effective should be taken to protect capital assets from inflationary pressures. These pressures are particularly acute, as I am sure you are aware, in the case of homes, farms and business properties as well as stocks. I would wish to take issue very strongly with such assertions, for instance, as his statement that a special capital gains tax, such as I have long suggested, applicable to future but not to past transactions "would not discourage purchases but would discourage sales." I think it is easily demonstrable that this is the exact reverse of what would occur if the tax were enacted. Some of the other assertions in the letter are, in my opinion, equally untenable.

If Mr. Platt is merely circulating his individual views, it is another matter. Accordingly, it would be helpful to me to know what the facts are in regard to it.

Sincerely yours,

M. S. Eccles,
Chairman.

CLASS OF SERVICE

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WESTERN UNION

1201

A. N. WILLIAMS
PRESIDENT

SYMBOLS

DL = Day Letter

NL = Night Letter

LC = Deferred Cable

NLT = Cable Night Letter

Ship Radiogram

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MARRINER S ECCLES, CHAIRMAN=

BOARD OF GOVERNORS FEDERAL RESERVE SYSTEM.

LETTER DATED FEBRUARY 28TH WRITTEN YOU BY STANLEY K PLATT DOES NOT EXPRESS VIEWPOINT OF THIS BANK. LETTER AND CONTENTS WERE UNKNOWN TO US. PLATT TENDERED RESIGNATION AND JANUARY 10TH WHICH WAS ACCEPTED BY OUR DIRECTORS EFFECTIVE MARCH 1ST. OPINIONS AND REASONING CONTAINED IN LETTER REPRESENT HIS INDIVIDUAL THINKING=

W D WYARD, PRESIDENT FIRST AND AMERICAN NATIONAL BANK.

COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

March 12, 1946.

Dear Mr. Wyard:

Thank you very much for the courtesy of your telegram in response to my letter of February 28 with reference to Mr. Stanley K. Platt's letter.

In view of the circumstances which you mention and the fact that he was not reflecting the viewpoint of your institution, I will disregard his letter.

Sincerely yours,

Mr. W. D. Wyard, President,
First and American National Bank,
Duluth, Minnesota.

ET:b

March 7, 1946.

Mr. Stanley K. Platt,
Assistant Vice President,
Trust Department,
First and American National Bank,
Duluth 1, Minnesota.

Dear Mr. Platt:

Your letter to me of February 28 contains a number of opinions in regard to a special capital gains tax among other things to which I would take most emphatic exception. Inasmuch as you sent copies of it to a number of prominent people, including two Senators and two of your Congressmen, and since they might be influenced by these opinions if they in fact represent the viewpoint of your bank, I have written to the president of the bank to inquire whether you were speaking only for yourself or for the institution. If the latter is the case, I would wish to advise the Senators and Congressmen of my very strong dissent so that silence on my part could not be taken as agreement with your views.

Sincerely yours,

M. S. Eccles,
Chairman.

ET:b


2002 W. Lake of the Isles Blvd.
Minneapolis, Minnesota
March 12, 1946

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

Dear Mr. Eccles:

With surprise and regret I have read your letter of March 7. I had not expected that a man in your responsible position would side-step important principles by questioning whether or not the views contained in my letter of February 28 were personal or represented the Bank with which I was then associated. The other men to whom I sent copies of the letter showed an interest in the reasoning presented and did not dodge the issues raised by questioning the political weight of the letter presenting those issues. In days such as these it seems to me that it is important that all of us should face the issues before us squarely, and cooperatively seek those solutions best suited to provide for the general welfare of our Country and the individual citizens who compose it.

You will observe that the letter which I sent to you on February 28 was signed by me personally and not as Assistant Vice President and that in the concluding paragraph I used the personal pronoun in requesting that you reconsider the position you have taken regarding taxation of capital gains. I wrote you a personal letter with the specific reason of focusing attention upon the issues raised and because, while I had in mind the interests of the various accounts for which the Bank acts as Trustee, I felt that the letter I was sending you was essentially the opinion of an individual financial observer. It is my hope that you will not attempt to dodge the reasoning presented but will give it your most careful consideration, since what we both seek is the general welfare rather than personal vindication.

Yours sincerely,

Stanley K Platt

P. S. I resigned my position with First and American National Bank of Duluth, effective March 1, 1946 but with notice of intention as of October 29, 1945.

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March 18, 1946.

Mr. Stanley K. Platt,
2002 W. Lake of the Isles Boulevard,
Minneapolis, Minnesota.

Dear Mr. Platt:

This is to acknowledge your letter of March 12. I venture to enclose copies of a number of statements I have made in the last year. These should answer your statement about avoiding important principles.

Manifestly, if you were undertaking to speak for the bank with which you were formerly connected, your letter would have carried more weight with those public officials to whom you addressed it than otherwise would be the case and might call for an answer, copies of which could be sent to the Senators and Congressmen to whom you sent copies of your letter to me.

It should be evident that it is not possible to enter into debate by letter with all of the individuals who write into this office on a great variety of highly controversial subjects. I do, however, make a point of finding time to reply to those letters which come to me that are sincere and objective. Letters which are vituperative and impugn good faith and motives are another matter.

Sincerely yours,

M. S. Eccles,
Chairman.

Enclosures 4: Statement on capital gains tax of 3/2/45; OPA of 6/15/45; OPA of 2/25/46; statement on margins of 1/17/46.

ET:b