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2200 RAND BUILDING
BUFFALO 3, NEW YORK

OFFICE OF VICE-PRESIDENT & TREASURER



June 9, 1945

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

STRIPPITS
(STRIPPER UNITS)

Dear Mr. Eccles:

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Thank you for the copy of your statement before the House Small Business Committee sent with your letter of June 5. Should not the excess profits tax be eliminated from the Federal tax structure immediately after V-J day, not to help weak corporations, but to assist smaller and new enterprises with growth possibilities? New and smaller corporations do not have access to the organized investment market, for various reasons do not now attract in large volume local equity funds, and, consequently, must rely on reinvestment of their earnings for expansion. Such concerns are not always "weak" corporations. Indeed, special tax considerations for economically weak companies can hardly be defended. The class worthy of aid are those which, although temporarily financially weak because of wartime tax and renegotiation drains, are the potentially strong employers of the future. It should be public policy, it seems to me, to encourage the expansion of these young vigorous enterprises with great potentialities for creating jobs and expanding production at lower cost. The most practical way for Government to assist these growth companies to expand is to remove now the unfair handicaps laid upon them by the excess profits tax.

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On almost all other points in your statement, however, I am in thorough agreement. I particularly like your suggestions of providing a means for placing small business in closer touch with modern technology and with the best management information and technics. As past president of the National Conference of State University Schools of Business, I was a member of a group which had given attention to this area of deficiency among new and smaller enterprises. Prior to the war we had evolved what was known as the Shepherd-Robinson Bill providing for cooperative research among the collegiate schools of business and the United States Department of Commerce. Fact-finding and the dissemination of information on behalf of new and smaller enterprise should logically be done at the

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Honorable Marriner S. Eccles - 2

state and local level where the smaller enterprises are located and where their problems exist. (Small business is largely local business.) The bureaus of business research of the collegiate schools of business are ideally suited to do these jobs. They would also be ideally equipped to gather such statistical information which would be required under such a measure as the Murray Bill, S.380.

The officers of this Conference will be in Washington to confer with Secretary Wallace on June 18. In order that they might give you their ideas first-hand and explore practical means of carrying through your thoughts of assistance to smaller enterprise, would it be possible for you to meet with them on Tuesday afternoon, June 19?

Sincerely yours



Charles C. Fichtner
Vice President & Treasurer

CCF:SZ

June 20, 1945.

Mr. Charles C. Fichtner,
Vice President & Treasurer,
Wales-Strippit Corporation,
2200 Rand Building,
Buffalo 3, New York.

Dear Mr. Fichtner:

My office tried unsuccessfully to reach you by telephone in connection with your suggestion that I might meet with your group while in Washington. Because of a very heavy schedule, however, including meetings with the presidents of the Federal Reserve Banks and with the Open Market Committee, I would not have been able to make the appointment.

While I am glad that we agree on other points, I think one of the most important ways to help the new and smaller enterprises would be to retain the excess profits tax with a substantial exemption. Otherwise, it is hardly likely that the normal corporation tax would be reduced by Congress to, say, 25 per cent, as I've suggested. Unless an excess profits tax is retained, Congress will have to rely on a much higher corporation tax if enough revenue is to be raised to bring the budget into balance after the war. Eliminating the excess profits tax will not only mean higher normal taxes on the new and smaller enterprises, but it will make it impossible to afford the special benefit which a substantial exemption from excess profits taxes would afford to the smaller concern.

Such an exemption would make it exceedingly attractive to invest in small enterprises not subject to the excess profits rate and would thus greatly increase the supply of equity capital available to such firms. In my statement before the Small Business Committee, I did not propose that the tax structure should be adjusted so as to preserve "weak" corporations, if weak be interpreted in the sense of inefficient or ill-managed. Rather, I was referring to the fact that in our industrial structure it is exceedingly difficult for a new and small firm to compete with giant corporations with well-established and dominating positions. I believe, therefore, that the tax structure must be adjusted so as to give a direct competitive advantage to the new and growing firm.

Sincerely yours,

M. S. Eccles,
Chairman.

ET:RAM:b