

(Address on envelop:
Navy Department
Inspector of Naval Material, U.S.N.
1600 Arch Street,
Philadelphia 3, Pa.)

1600 Arch Street,
Phila., 3, Pa.
September 4, 1944

The Chairman,
Federal Reserve Board,
Washington, D. C.

Dear Sir:

To expand employment and to increase the national incomes, entrepreneurs, promoters of new businesses and expansions of old businesses should be frankly and broadly subsidized as a matter of national policy, by federal, state and local governments, by allowing them to receive, for their risks, larger incomes from their ventures through lowering, for a term of years, their income, corporation, and other taxes.

It is suggested that venture capital, deliberately, be allowed to receive net incomes five to fifteen times the average interest rates on U. S. Government bonds for a period of time to be determined after impartial investigation.

In the United States, subsidies, in one form or another, have always been given by federal, state, and local governments, and some of them exist today. A partial list follows:

Patent laws and cheap government land.
Harbor improvements and aids to sea and air navigations.
Merchant Marine.
Canals, public roads and highways, and railroads.
Tariffs for "infant industries" and to maintain the American standard of living.
Postal carriage, at huge losses, of newspapers and periodicals.
Education; colleges and universities.
Reclamation and power projects.
Weather reporting.

Essentially, entrepreneurs are rare and precious people of imagination, vision, and judgment - often with great ability - who constitute a very small but invaluable element in any culture and civilization that is progressive. The common welfare demands that these unusual but venturesome persons, who risk their own capital and reputations, and who control other risk capital, should, in all proper ways - legal, ethical and financial - be strongly encouraged by believers in the system of free enterprise and by those who hope for an expanding national income.

Yours very truly,



William Russell White

(Capt. William Russell White, U.S.N., Ret.)

September 12, 1944.

Captain William Russell White, U.S.N., Ret.,
1600 Arch Street,
Philadelphia 3, Pennsylvania.

Dear Captain White:

Chairman Eccles asked me to thank you for your letter of September 4 and to say that in the last analysis the extent to which the Congress, which has the final say, will go in the direction of subsidizing entrepreneurs is the real problem one has to consider today. As you are aware, a good many proposals have been put forth by a good many groups to encourage and stimulate risk capital, recognizing that this goes to the very heart of and is the dynamic force in our economic system.

Mr. Eccles has already discussed the subject from the standpoint of taxation, particularly in removing the double taxation penalty which now applies to equity capital. It occurred to me that you might possibly be interested in the enclosed copy of a talk on this subject which he gave before the Tax Institute in New York some time ago.

Sincerely yours,

Elliott Thurston,
Special Assistant to the Chairman.

Enclosure

ET:b