

MARSHALL PHILLIPS
"GREENACRES"
NARVON, PA.

Mr. William D. Eccles
Federal Reserve Board
Wash. D. C.

Dear Sir:

This is addressed to you
personally and not to one of your
secretaries.

I am an investor but I
am also a business man, ~~moderately~~
successful - age 63 -

I read over your idea about
limiting profits on securities
to 10% if taken under two years,
the government to take 90%.

As you know present taxes ~~keep~~
only long term profits take the largest
part of all profits, You are

obviously not in the least familiar
with the impact of your idea
as to cause and effect, so I will
give you a very simple example.

Say I buy 100 shares of General
Electric at \$42 and during the next
two years it sells at \$84 per share.
I wish to sell it and invest the
money in another security. I have
a profit of \$4200. which by our
present laws belongs to me, as my
share also is my personal property,
but for all my risk I may retain
only \$420. and you take \$3780.00
Of course this is Confiscation.
Now if your absurd idea became
law where would the investor be,
we will go one step further, and

MARSHALL PHILLIPS
"GREENACRES"
NARVON, PA.

Assume that having no real profit
(only \$4200 at \$4 purchase) I hold
it and it goes down so that after
the two years is up it is selling
at \$40 per share and I have a loss
of 200. Is the government going
to guarantee me against this
loss, and also is the govt. going
to guarantee me the \$200 profit
which rightfully is mine, and
if so how.

Do you know that in England
there is no capital gains tax?
Also their regular taxes are now
below ours everything taken
into consideration? I am asking

that as a courtesy to me you
dictate a reply to my letter.
I have to write my letters
haphazard, but consider this
matter so important to the
welfare of my country that
I do not object to the trouble
in doing so.

Sincerely yours
Marshall Phillips

Received in
Chairman's Office

MAR 6 1915

Board of Governors
of the
Federal Reserve System

March 7, 1945.

Mr. Marshall Phillips,
"Greenacres",
Narvon, Pennsylvania.

Dear Mr. Phillips:

In response to your letter, I am enclosing a copy of an explanatory statement in regard to my suggestion for a special wartime capital gains tax.

Contrary to your assumption, I am thoroughly familiar with the causes and effects you mention, and if the tax were adopted and as effective as I hope it would be, you would not purchase the hundred shares of some stock selling at \$42 and rising within two years to \$84 a share, at which time, according to your example, you would wish to sell it and keep your profit of \$4200. You would have to sell it to somebody else, who doubtless would have the same ambition to hold on to it for a short time and then sell it to a third person after realizing a tremendous profit. And this, of course, would go on until the inflated price bubble finally burst. You and the others who managed to get in and out before that time would be all right. The victim and the loser would be the unlucky fellow who got in about the time of the crash.

If you are for that sort of thing, then it would be a waste of time for me to pursue the discussion further. I am sure you cannot justify it to yourself or to anybody else.

Very truly yours,

M. S. Eccles,
Chairman.

Enclosure

ET:b