

J. C. NICHOLS COMPANY  
*Country Club District*

KANSAS CITY  
MISSOURI

310 WARD PARKWAY  
COUNTRY CLUB PLAZA

J. C. NICHOLS  
CHAIRMAN OF BOARD

April 25, 1945

Mr. Marriner Eccles  
c/o Board of Governors of the  
Federal Reserve System  
Washington D.C.

Dear Marriner:

I recently read copies of letters of exchange between you and the National Real Estate Board, and while I realize your sincerity in relation to checking inflation in real estate, I feel sure you are overlooking one or two very important facts.

There are literally hundreds of thousands of commercial and residential properties all over the United States that need rehabilitation. This is particularly true of commercial properties, a great mass of which have not rented for enough to pay taxes for the past few years and are frequently held by owners who can not afford to remodel them and bring them up to date. In order to make these properties presentable and useful it frequently requires a large investment of funds and considerable risk is involved. Certainly investors would be unwilling to buy such property and spend considerable sums in remodeling if they were to be faced with a very large excess profit tax. In my rather close contact with residential properties throughout the country, I feel there is immense opportunity to provide better housing, particularly to the lower income group, by encouraging investors to get run-down properties and put them in good condition. This involves a risk on the part of the investor and certainly these activities would be discouraged if there would be a large excess profit tax put on the possible earnings such an investor might make in his sincere efforts to restore such run-down properties.

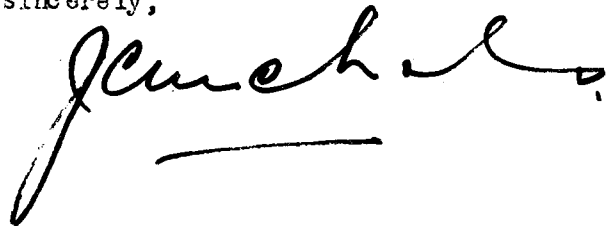
The Art Gallery Trust here in Kansas City, of which I am a member, recently acquired some such buildings and we are spending some \$40,000.00 in rehabilitation, and we think we are doing a good constructive job for our town, and certainly we would not have been willing to undertake such a risk if we thought we would be confronted with a large excess profit tax. I can not help but believe that you have overlooked this very important phase in real estate in every city and even the small towns throughout America. To put such properties in good condition would increase the tax revenues of the other communities and create real progress and service to future tenants and owners.

I simply mention the above to you because I am quite sure you have overlooked this very important consideration and one which I think is extremely important in post-war years. We are all worried about our blighted areas in the larger cities and want to urge private capital to undertake the rehabilitation and restoration of properties.

I appreciate your interest in the whole matter, but it is my honest opinion that such a program you have suggested would work to a great disadvantage to property ownership throughout the United States.

Yours sincerely,

JCN/w

A handwritten signature in cursive script, appearing to read "J. C. Nichols", with a horizontal line underneath it.

May 9, 1945.

Mr. J. C. Nichols,  
Chairman of Board,  
J. C. Nichols Company,  
310 Ward Parkway,  
Country Club Plaza,  
Kansas City 2, Missouri.

Dear Mr. Nichols:

As I have been out of town, reply to your letter of April 25 has been delayed. I think we both agree that the construction industry should be given all possible encouragement after the war, but I cannot follow your suggestion that it is desirable at this time to encourage large-scale expenditures on the improvement of existing real estate property or, for that matter, on the construction of new property. I think that such expenditures should wait until the requirements of war production have shrunk and sufficient resources have again become available to meet civilian requirements. Thus, I do not think that your considerations regarding the desirability of investing funds in real estate are pertinent to the current situation, which for some time will still be one of wartime scarcity.

As to the postwar period, I have repeatedly indicated that I favor outright tax encouragement of new and productive investment, and some statement of my position, I take it, you have seen in the correspondence with the National Real Estate Board, to which you refer. The wartime rates both of the excess profits tax and of the corporation income tax should, of course, be reduced when budget conditions permit and general inflationary pressures have passed. However, I believe that tax requirements after the war will remain high and that it will be necessary to continue to obtain a substantial amount of yield from the corporate tax. If proper steps are taken to encourage small and growing enterprise, retention of a substantial tax on corporate income will be less depressing to economic activity and to investment than would excessive reliance on excises and similar tax sources which bear most heavily on consumption.

Mr. J. C. Nichols - (2)

May 9, 1945

As I have pointed out at various times, what would really encourage risk capital in the postwar would be to reduce the excess profits tax from the present 95 per cent maximum to possibly 65 per cent and make the corporation tax 25 per cent instead of 40 per cent as it is now with the surtax. I would then exempt from the 25 per cent corporate tax all profits paid out in dividends, which would be taxed in the hands of the recipients. This would avoid the double taxation that is so great a deterrent to the investor in productive enterprise. At the same time, I would give an exemption of \$25,000 to all corporations under the excess profits tax. This would not matter much in the case of the large corporation, but it would be of tremendous benefit to the small and medium-sized concerns.

While you mention the excess profits tax in particular, I am wondering if you are not thinking more of the recent suggestion I made for a capital gains tax. Anyway, I am enclosing a copy of an explanatory statement as to the reasons why I felt this was a necessary protective step against inflation which, of course, would have disastrous effects upon real estate values in the end.

With best regards,

Sincerely yours,

Enclosure

ET:b