## CONTENTS

CHAPTED	PAGE
CHAPTER I	
Legislative History of the Taxation of Undistributed Profits	9
1. Legislative developments before 1936	9
2. The Revenue Act of 1936	17
3. Repeal of the undistributed profits tax	24
CHAPTER II	
Effect of the Surtax on the Distribution of Corporation Earnings	27
1. Distribution of income tax returns by surtax rates	27
2. Effect of the tax on aggregate net dividend payments	31
3. Increases by major industry groups	33
4. Distribution by size of corporation	41
5. Non-dividend distributions of income	50
CHAPTER III	
The Determinants of Dividend Policy	54
1. Factors encouraging distribution	54
2. Factors limiting distribution of earnings	63
CHAPTER IV	
The Impact on Corporation Credit	82
1. Contracts restricting the payment of dividends	82
2. Statutory limitations on dividends	87
3. Insolvent corporations	92
4. Effect on corporation credit	94
CHAPTER V	
Tax Avoidance by Use of Non-cash Dividends	98
1. General	98
2. Stock dividends	99
3. Obligations of the corporations	106
4. Other assets	108

## CONTENTS

## CHAPTER VI

The Role of the Capital Markets	111
1. The allocation of investment capital	I I·I
2. The capital market 1936-1937	114
3. The sale of common stock by preemptive rights	118
4. Limitations on the use of preemptive rights	122
5. The experience with convertible bonds and preferred stock	129
CHAPTER VII	
The Effect on Business Growth and Monopoly	131
1. The plight of small business	131
2. The problem of capital	132
3. Mitigating factors—stock subscriptions	138
4. The "liquidation" of small corporations	142
5. Effect on business concentration	146
CHAPTER VIII	
The Effect on Economic Stability	149
1. Introduction	149
2. Long-run equilibrium	150
3. Cyclical effects	161
CHAPTER IX	
Summary and Conclusions	174
r. Historical	174
2. Impact on the corporation	175
3. Technical criticisms of the law	183
4. General economic effects	187
5. Alternative approaches to the taxation of undistributed profits	190
Bibliography	195
INDEX	201