

8/29/2016

Capital formation rate cannot be blamed on after-tax profits — FT.com

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**Letter****Capital formation rate cannot be blamed on after-tax profits**

From Daniel J Aronoff. Sir, Robert Gordon's contention that corporate tax reform can reignite US economic growth, is not tenable

AUGUST 29, 2016 8:02 PM

Sir, Robert Gordon's contention that corporate tax reform can reignite US economic growth, is not tenable ("[Corporate tax reform is vital to boosting America's growth \(http://next.ft.com/content/bd6a06ce-63b7-11e6-8310-ecfobddad227\)](http://next.ft.com/content/bd6a06ce-63b7-11e6-8310-ecfobddad227)", August 26). The premises of Professor Gordon's argument, that capital investment is required to increase the productive capacity of the economy and that the incentive to invest is affected by the after-tax profit that can be earned, are unimpeachable. But his conclusion, that high corporate taxes are currently holding back investment, is highly implausible.

US corporations have been earning record after-tax profits in recent years. Moreover, capital costs — in shares or loans — are at the lowest levels ever. How, pray tell, can one conclude that the anaemic rate of capital formation is due to after-tax profits?

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