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BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

# Office Correspondence

Date September 9, 1943

To Chairman Eccles

Subject: \_\_\_\_\_

From Mr. Draper

Dear Marriner:

With reference to our conversation at lunch yesterday about industrial credit for post-war needs, I looked up again those general figures on the number of corporations in active business which I gave in my memorandum.

A study by the Twentieth Century Fund, entitled "Big Business: Its growth and place" states (p. 51) that the number of corporations reporting to the Bureau of Internal Revenue were, in 1933, 504,000, and that the total listed concerns in Dun and Bradstreet that same year were 1,961,000.

Frank Garfield of our Research Department states that the number of corporations reporting to the Bureau of Internal Revenue in 1940 were 468,000. The figure I used in my memorandum (400,000 more or less) was evidently a conservative one.

However, I did not mean to infer that all these companies were manufacturing concerns. You will notice that in paragraph 4, I specifically referred to them as "companies submitting income tax returns". You are undoubtedly right that only a percentage of these companies are engaged in manufacturing or allied activities. The actual breakdown of the 468,000 companies is as follows:

<u>Manufacturing or Near - Manufacturing*</u>		<u>All Others*</u>	
Manufacturing	85,000	Financial, Insurance and	
Public Utilities	22,000	Real Estate	141,000
Construction	15,000	Trade	138,000
Mining	<u>10,000</u>	Service	41,000
	132,000	Agriculture	8,000
		Unspecified	<u>7,000</u> plus
			335,000 plus

\*Note: These are my headings. The Bureau of Internal Revenue just lists them without separate headings.

Now, while it is true that neither the Federal Reserve nor any other agency should, as a rule, lend to others than manufacturing concerns, nevertheless I do not believe that this rule should be a hard and fast one. For instance, suppose that the war should last three years longer and that in that time the shortage of goods should be so severe that Woodward and Lothrop should have to shut down. Woodward and Lothrop is engaged in "Trade" and yet it is obvious that, after a record of fifty years, and in the interest of re-employment it might be wise governmental policy to make a partially guaranteed loan to such a type of trade concern.

Apart from this battle of figures, which is really the less important part of the subject, it seems to me we must keep in mind the over-all objective we hope to achieve.

In my mind, our general objective should be to adopt in the immediate re-conversion period, such credit measures as will encourage private employment and will discourage the spread of inflation. The speediest way to reach these objectives is to

encourage production. And one of the most effective ways to encourage production--in the non-war production field, whatever its size may be, is, in my opinion, by the methods briefly outlined in my original memorandum.

Now, I won't fulminate on this subject again for quite a while!

~~E. G. D.~~