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United States Senate

Special Committee to Study Problems of
American Small Business

August 31, 1942

Hon. Marriner S. Eccles
Chairman, Federal Reserve System
Federal Reserve Building
Washington, D. C.

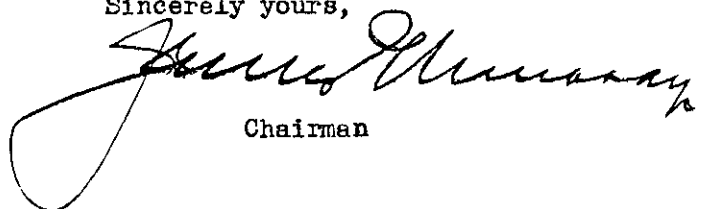
Dear Sir:

I know you will be interested in the attached
press release setting forth the plan for the fall
hearings of the Small Business Committee.

The proposed measures bear sharply upon a number
of questions in which you are much interested and we
shall hope to have some constructive suggestions from
you when the time comes.

We shall be glad to discuss the program in greater
detail with you at your convenience.

Sincerely yours,

A large, stylized handwritten signature in dark ink, likely of James E. Murray, the Chairman. The signature is fluid and cursive, with a large loop at the end.

Chairman

United States Senate

Special Committee to Study Problems of
American Small Business

SENATE SMALL BUSINESS COMMITTEE
Room 13-B, Senate Office Building

FUTURE RELEASE
For Morning papers
of September 1, 1942

Washington, D. C., September 1 - Senator James E. Murray, Chairman of the Senate Committee on Small Business, announced today that hearings will begin September 28 on an interesting series of proposals for the relief of small business concerns hard hit by the war effort.

The Committee has fostered and succeeded in securing the passage of the Smaller War Plants Bill for the assistance of small manufacturers, and Senate Bill 2315 for relief to concerns with rationed commodities on their hands. It has two other bills now pending in Senate Committees: Senate Bill 2560 providing a plan for recapping tires for necessary civilian uses, and Senate Bill 1666 designed to coordinate Federal reporting services so as to eliminate duplication and reduce the heavy burden of reports requested of business concerns by Government agencies.

At the hearings scheduled, recommendations affecting the whole business structure of the country will be considered. Some proposals will include legislation to help small business concerns stay in business or liquidate their businesses in an orderly fashion, without resorting to bankruptcy. Other proposals will suggest improved Federal policies on price control, rationing, inventory control, concentration of civilian production, promotion of substitute products, etc.

It is expected that a proposal will be presented to set up a special government fund of \$25,000,000 to train small business men who have closed down their former businesses and to prepare them for executive work in war factories and war agencies, where there is a shortage of high calibre administrative personnel.

Plans will be presented for cooperative assistance between business concerns along the lines of the English system under which concerns closing are assisted by those remaining open.

Financial advances from the Reconstruction Finance Corporation or some similar government agency are proposed for business concerns unable to meet fixed obligations such as leases and contracts entered into before the war came, but which are now threatening to bankrupt concerns where their business has been rendered unprofitable by government restrictions or regulations. An effort will be made to find a source of permanent risk capital to enable small businesses to expand their operations where desirable and to give them long time financial backing so they may meet competition from big business when the war has ended.

"The present emergency presents a situation where thousands of small business concerns are either going to be forced out of the picture," Senator Murray said, "or be so weakened that when the war is ended, they will be unable to carry on and big business with its great financial and political power will come into control of the major portion of the American business field. The Committee is seeking a solution for these problems and has extended an invitation to business organizations and experts who have studied these problems to present their views as to how the situation can best be met.

"Detailed figures never before made public will be presented by the representatives from the Department of Commerce on the business outlook for specific retail trades during 1943 and for the duration of the war," Senator Murray said. "While the war has been on, various trades have been attempting to make their own forecasts, but these figures gathered by Commerce Department experts will be the first really authoritative figures available and should be of enormous interest to business men concerned about what the war will do to them."

The Committee already has notice of a number of plans which will be submitted. The American Business Congress, a small business men's organization from the vicinity of New York City will propose a measure to be known as "The American Business Conservation Act", the purposes and provisions of which are as follows:

1. OBJECTIVES

- a. To safeguard the national economy.
- b. To protect solvent businesses from enforced bankruptcy resulting from war restrictions and regulations.

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- c. To avoid placing a disproportionate share of the war burden on business men threatened with loss of virtually their entire capital due to such restrictions.
- d. To provide for the orderly liquidation or rehabilitation of such businesses, thus averting the loss of reputation and disruption of community life resulting from business failures.

2. GENERAL PROVISIONS

- a. A government administrator is appointed to administer the act. His duties: to investigate and pass upon the eligibility of the applicant for relief; to grant or reject said applications.
- b. Only a solvent business threatened with substantial impairment of capital due to war regulations is eligible for relief.
- c. A proprietor may elect to liquidate or rehabilitate his business; said liquidation or rehabilitation to be completed within one year. The administrator may grant extensions.
- d. An "Assets Conversion Corporation" is created to buy, sell or hold assets of a proprietor in liquidation.
- e. During the relief period all lawsuits, claims and judgments are stayed.
- f. The Administrator may provide for arbitration leading to modification or cancellation of leases and other executory contracts which threaten substantial impairment of proprietor's capital. If arbitration is unsuccessful, the Administrator places the facts at issue before the U. S. District Court for final disposition.

g. IN LIQUIDATION:

I. Proprietor may elect to sell his assets to "Assets Conversion Corporation".

II. All just creditors' claims are paid in full before withdrawal of capital by proprietor.

h. IN REHABILITATION:

I. The Administrator may direct Reconstruction Finance Corporation to advance a loan up to \$50,000 to a proprietor, with or without security where necessary to the orderly rehabilitation of business.

The American Small Business Organizations, Inc., with its principal offices in Chicago, will present a bill to be known as "The War Distress Business Loans Corporation Act" intended to relieve the financial hardship of small business concerns resulting from the war effort.

It sets up a government corporation to be controlled by a board of 7 directors, with a capital stock of two hundred million dollars and with the power to borrow five times that amount. The Corporation would be empowered to make loans or advances to enable small business concerns which face financial hardship and distress attributable to the war, to defray, during the period of the war emergency, the minimum fixed charges and maintenance costs of such business concerns which are unable to secure financial assistance from the usual credit channels. Such loans or advances would be made either directly or in cooperation with banks or other lending institutions.

This bill, embodying broad powers, would provide assistance of almost any type to business institutions adversely affected by the war so long as the means were determined by its Board of Directors to be appropriate.

A bill to be considered which is understood to have the support of important executives of the War Production Board, has for its purpose relief for manufacturing concerns which can neither be used in war production nor essential civilian production and which have been forced to close because of war regulations priorities, etc. This measure proposes that the Smaller War Plants Corporation (established by Senate Bill 2250 and sponsored by the Senate Committee on Small Business) would be given power to determine the manufacturing plants in need of assistance and finances would be provided through the R.F.C. or some similar agency to defray minimum fixed charges and maintenance costs during the period

of enforced shutdown. The essential expenses to be paid would include taxes, insurance, interest and necessary upkeep cost, but not the cost of improvements nor amortization upon debts. The measure would provide also loans from the same source at favorable interest rates to enable such plants to carry inventories and to re-establish their activities after the war is ended.

Senator James M. Mead of New York, a member of the Committee and author of several similar bills previously introduced into Congress, will propose a bill to provide long term risk capital for small business enterprises along the line of a bill which he presented in February 1941 which creates an Industrial Loan Corporation with powers: (1) to make loans to, to make discounts for, and to purchase obligations and preferred stock of, small businesses directly or through financing institutions; (2) to utilize the Federal Reserve Banks as agents, (3) to issue notes, debentures and bonds unconditionally guaranteed as to principal and interest by the United States to not exceeding \$500,000,000; (4) to borrow from Federal Reserve Banks on promissory notes having maturities of not exceeding four months; (5) to set aside \$25,000,000 of its surplus as an insurance fund for insuring member banks of the Federal Deposit Insurance Corporation against losses from loans made under the act; and (6) to take steps to encourage and assist in the formation of committees of representatives of small businesses. Loans would be limited to a million dollars and to ten years maturity but no loan in excess of \$25,000 would be insurable. The Corporation would be empowered to accept public deposits and act as a fiscal agent of the government and would be controlled by the Board of Governors of the Federal Reserve who would become directors of the Corporation. The provisions of this bill, if enacted, would provide much needed long-time financial assistance which small business institutions throughout the country will need to be able to continue in business when the war is ended.

An association of tourist court owners has proposed a bill providing that the R.F.C. shall furnish relief to motor courts or rural hotels by advancing money on first lien mortgages to pay up existing tax liens or secured loans on such properties where the appraised value of the property shows it to be worth at least 150% of the amount of money required to take up the obligations. The money would be loaned at the rate of 2% per annum for the duration of the war and for one year thereafter, after which time the obligation is to be paid off in ten equal installments, the principle of the note bearing 5% interest.

"Which of these bills may be introduced by the Committee or whether the Committee will introduce entirely new legislation remains to be determined by the evidence presented at the hearings which the Committee has scheduled," Senator Murray said. "We hope to be able to put through Congress legislation which will accomplish, in the main, the objectives which these bills propose and we will draft it and propose it in the form which we think will secure from Congress the most favorable consideration."

The Committee expects to have as witnesses, spokesmen from many of the national trade associations representing those trades whose businesses have been most seriously curtailed as a result of war time shortages - such as the gasoline and auto group, lumber and building materials, hardware, furniture, electrical and radio and apparel stores. Invitations to present testimony and detailed plans are being sent to the United States Chamber of Commerce, National Association of Manufacturers and other national organizations interested in the preservation of free enterprise in the nation. Mr. Leon Henderson, Price Administrator will appear and present plans formulated by the Office of Price Administration for the assistance of business enterprises suffering from price regulations and restrictions. Secretary Jesse Jones of the Department of Commerce, Marriner Eccles, head of the Federal Reserve System, and Donald Nelson, Chairman of the War Production Board will be among the prominent government personages who will be requested to testify.

September 3, 1942.

My dear Senator Murray:

On behalf of Chairman Eccles who is temporarily out of the city, permit me to acknowledge receipt of your letter of August 31 enclosing a copy of your statement released for morning papers of September 1 in regard to the hearings which are to begin September 28 on the proposals for the relief of small business concerns.

The subject, as you state, is one in which Mr. Eccles is particularly interested.

Sincerely yours,

Elliott Thurston,
Special Assistant
to the Chairman.

Honorable James E. Murray,
United States Senate,
Washington, D. C.

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JAMES E. MURRAY, MONT., CHAIRMAN
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TOM STEWART, TENN.

United States Senate

Special Committee to Study Problems of
American Small Business

September 14, 1942

Mr. Marriner Eccles, Chairman
Federal Reserve Board
Washington, D. C.

Dear Mr. Eccles:

On September 29, 1942, the Senate Small Business Committee will start hearings on the problem of small business concerns hard hit by the war. We hope to bring to the millions affected by the welfare of small business the facts they must face, and give the members of Congress a clear picture of what must be done if the war is to be waged most effectively and if our system of free enterprise is to be preserved. It occurs to the Committee that you can render a valuable service in this respect and with this in mind the Committee is requesting you to appear as a witness.

In our previous hearings we dealt with the problems of small manufacturers. The result was the creation of the Smaller War Plants Corporation. At these hearings, however, recommendations affecting the whole business structure of the country will be considered. Some of these will aim at legislation to help small business concerns to stay in business or else liquidate their operations in an orderly fashion, without resorting to bankruptcy. Others will be directed toward improved administrative policies on price control, rationing, inventory control, concentration of civilian production, promotion of substitute products, etc.

The general plan of the hearings is to start with a brief presentation of the problem; then listen to various legislative proposals; next, hear representatives from individual distribution trades and production groups, together with some of the Federal officials who administer controls over these trades and industries; next, to have a special session devoted to the labor problems of small business; and finally, to end up with general legislative and administrative proposals from important national leaders.

Mr. Marriner Eccles

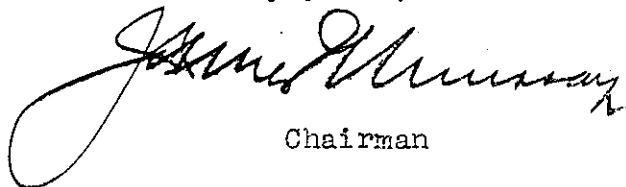
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We should like you to appear at our hearings on October 29, 1942, and present a full picture of the Federal Reserve Board's position on such questions as the war-time adjustment of obligations, orderly liquidation of war-distressed concerns and the supplying of adequate long-term and short-term capital for small firms. This statement should also include an analysis of the extent to which banking investments in war-distressed concerns will be jeopardized.

To assist the Committee and the Committee's staff, will you be so kind as to submit a preliminary draft of your testimony by October 8? Furthermore, it will facilitate matters if you or a member of your organization get in touch with Mr. C. Walter Fowler, Executive Secretary of the Committee, and Mr. Bertram M. Gross, Chief of Research and Hearings.

For your further information, I am enclosing a press release announcing the hearings.

Sincerely yours,



Chairman

Encl.

September 16, 1942.

Honorable James E. Murray,
United States Senate,
Washington, D. C.

Dear Senator Murray:

In the absence from the city of Chairman Eccles, I am acknowledging in his behalf your letter of September 14, in which you advise that the Senate Small Business Committee will start hearings on the problem of small business concerns hard hit by the war on September 29, and requesting Chairman Eccles to appear as a witness.

Since Mr. Eccles will not return to his office until Monday, September 28, and his calendar for that week is exceptionally heavy, it is doubtful that he can submit a preliminary draft of any proposed testimony by October 8. However, I shall, of course, bring your letter to his attention upon his return to the city.

In line with the suggestion in your letter, I have advised Messrs. Fowler and Gross of your Committee as to the Chairman's absence from the city, and the date of his return.

Yours very truly,

(Signed) Lawrence Clayton

Lawrence Clayton,
Assistant to the Chairman.

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