

UNITED STATES SENATE
Committee on Banking and Currency

August 30, 1957

Mr. C. Canby Balderston
Vice-Chairman
Board of Governors of the
Federal Reserve System
Washington, D. C.

Dear Mr. Balderston:

Thank you for sending me a copy of your letter of August 22 to Senator Fulbright relative to the proposed Federal Reserve study of the financing problems of small business. While I am pleased that the Board has finally authorized such a study, I cannot fail to express my keen disappointment at the timing indicated in your letter to Senator Fulbright and the accompanying memoranda.

While an analysis of the existing material on the subject would be of some help to the Subcommittee on Small Business of the Banking and Currency Committee, I doubt whether it would provide much information which has not already been made available to the Subcommittee.

A study of the operations and policies of the principal types of lenders to small business would also be helpful; but again the Subcommittee already has a great deal of material on this subject.

It is the third part of the proposed study: a comprehensive survey of the recent borrowing experiences of small business concerns and their financing practices which would be of immediate and practical help to the Subcommittee in formulating legislation for enactment at the second session of the 85th Congress.

It is for this reason that I am gravely concerned to learn from your letter that this survey cannot be finished until after the 85th Congress has adjourned.

As Chairman of the Subcommittee, my concern at the plight of small business has grown during the last year as evidence mounts to indicate a continuous growth of concentration of economic power in big business and a subsequent diminution of the role of independent

small business in our economy. The social and political implications of this trend are perhaps just as important as the economic.

I fear that the inevitable result of the failure of the Board to produce the third part of its study prior to adjournment of the 85th Congress will be to make it difficult, if not impossible, to consider comprehensive legislation which, in my judgment, is badly needed next year.

Indeed, I would feel that if you cannot complete the study in time to have it available to the Congress no later than the early spring of 1958, it would be wise to consider abandoning it completely. The fact that such a study is under way will inevitably be used by those who have no interest in the plight of small business as an excuse for failing to take action during the 1958 session of the Congress.

Sincerely yours,

(signed) Joseph S. Clark

Joseph S. Clark

cc: Honorable J. W. Fulbright
Honorable A. Willis Robertson
Honorable John J. Sparkman
Honorable Frank J. Lausche
Honorable Homer E. Capehart
Honorable J. Glenn Beall
Honorable Frederick G. Payne
Honorable Clifford P. Case