

UNITED STATES SENATE
Select Committee on Small Business

September 6, 1957

Mr. C. Canby Balderston
Vice Chairman
Board of Governors of the
Federal Reserve System
Washington 25, D. C.

Dear Mr. Balderston:

Thank you for your courtesy in sending me a copy of your letter of August 22nd addressed to Senator Fulbright concerning the plans of the Federal Reserve Board for studying small-business financing problems.

I am sure that it is unnecessary for me to tell you how keenly disturbed I am by your proposed timetable. I am greatly disappointed that the Federal Reserve Board should now tell us it will take another year and a half before it is able to come up with any help. This seems to constitute a serious abdication of the Board's responsibility.

As you well know, the Board has been aware of the general problem and the specific proposal for many years. Almost ten years ago the Committee for Economic Development supported the establishment of capital banks to help fill a serious gap in the sources of equity financing for small business. Soon thereafter legislative proposals were framed and introduced and the Board was asked for its comments. As long ago as 1950, as I recall, the Chairman of the Board supported this legislation in testimony before the Senate Banking and Currency Committee.

In addition, the Board has never doubted that this inadequacy in fact existed. In a report to the Monopoly Subcommittee of the Senate Small Business Committee in 1952, the Board noted this as the most serious financing problem of small business. Again, several months ago, Mr. Martin testified before the Senate Banking and Currency and stated that he recognized the existence of the problem and expressed sympathy with the aims of the legislation introduced by other Senators and myself to try to meet this problem.

With all this in mind, it obviously comes as a great shock to us who are trying to help small business and who have watched their struggles in the face of inadequate capital financing to hear from the Board that we can expect no help at all from you until 1959. Many of us realize that it may then be too late to help many worthy firms and know that the vigor of our free enterprise system is dependent upon the health of these independent businesses.

I must ask the Board of Governors in all sincerity to reexamine these plans to determine if there is not some means whereby your guidance may be available to us early in 1958, when I predict, the Congress will take some action on the financing problems of small business.

With best personal wishes, I am

Sincerely yours,

(Signed) John Sparkman

John Sparkman
Chairman