

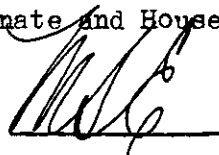
BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM**Office Correspondence**Date April 29, 1944To Governor Evans

Subject: _____

From Chairman Eccles

I am sending you herewith a copy of a letter of even date sent to the Presidents of the Federal Reserve Banks, together with the enclosures referred to therein, all relating to the proposal I made to Mr. Baruch under date of December 16, 1943. This is in line with the commitment made to the Presidents at the time of the last joint meeting with them.

With the concurrence of the Board, I would like to submit the proposed bill and the statement regarding it to the Chairman of the Banking and Currency Committees of the Senate and House at an early date.



Attachments



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Z-1382 (On office
copies only)

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 29, 1944.

You will recall that at the last meeting of the Conference of Presidents with the Board of Governors, I discussed the financing proposal I made to Mr. Bernard Baruch under date of December 16, 1943. I have already furnished you, under date of February 7, 1944, a copy of my letter of transmittal to Mr. Baruch and of the memorandum enclosed therewith, which involved changes in the authority of the Federal Reserve Banks regarding industrial loans under section 13b of the Federal Reserve Act. At the meeting referred to, I agreed to send to each President, when prepared, a copy of a more detailed statement respecting the proposed plan and the proposed amendment to section 13b. These papers are enclosed herewith for your confidential information.

In appraising the merits of this proposal, I would not have you assume that I consider this plan for additional credit facilities the chief answer to the financial problems of small business. Indeed, I think that other approaches, such as changes in the tax laws and in the requirements regarding the issue and distribution of securities, would be more effective. However, the fact is that the credit aspect of the problem is the one to which Congress is now giving special attention.

It seems likely to me that, due to the political appeal of such legislation, Congress will provide some additional governmental mechanism for liberal financing of small business during the reconversion period and thereafter. The Small Business Committees, which were not taken seriously a few years ago, have now become influential. The 1944 version of the Mead Bill is already in Committee Print. The Senate Small Business Committee (Murray Committee) has prepared a confidential print of a bill which would, in effect, extend and greatly enlarge the powers of the Smaller War Plants Corporation, changing its name to Small Business Corporation, raising its capital to one billion dollars, authorizing both direct loans and guarantees, and in other respects making it a powerful credit and service organization for small business during the reconversion period and until July 1, 1947.



Senator Taft has introduced a bill, S. 1777, providing for a Small Business Finance Insurance Administration in the Department of Commerce. This bill would authorize insurance of a total of 500 million dollars of loans to be outstanding at any one time and in addition would permit the insurance of investment companies against loss on stocks up to an aggregate of 500 million dollars at any one time. I feel that legislation of the character mentioned above is undesirable.

But we cannot expect members of Congress to resist politically appealing measures of this kind unless they have an acceptable alternative at hand. The Baruch recommendation of my proposal that the Federal Reserve be given an important role in this picture offers a possible alternative which could be administered on a sound basis. However, it is apparent that when compared with more ambitious and politically appealing measures such as those of the Murray Committee and Senator Taft, my proposal is quite modest. I believe, however, that it would be adequate to meet the situation as we see it at this time. Accordingly, in the light of the entire picture, I feel that this proposal should be submitted promptly for the consideration of Congress.

Should you have any comments which you wish to submit with regard to the proposed amendment or the statement attached thereto, please write or wire so as to reach us by May 5.

Sincerely yours,



M. S. Eccles,
Chairman.

Enclosures 2

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

see
4/28/44
G: 8/18-22/44

Office Correspondence

Date May 1, 1944

To Chairman Eccles

Subject: _____

From Governor Draper

Thank you for your memorandum of April 29 enclosing a copy of a letter of the same date to the Presidents of the Federal Reserve Banks.

As I have told you on several occasions, I am heartily in favor of the proposal you make and I sincerely hope that the other Members of the Board will feel likewise.


E. G. D.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Chairman Eccles:

I agree. Let's go.

A handwritten signature, likely of Mr. [unclear], consisting of stylized, overlapping letters.A long, sweeping horizontal line, possibly a flourish or a signature element.