

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date May 30, 1945

To Mr. Thurston

Subject: Hearings on financial problems
of small business before House
Committee on Small Business

From Mr. Cherry

Secretary Wallace concluded his testimony this morning. He said the most important thing to be done for little business is the continuance of full employment. He said this was 90 per cent of the problem.

He would not commit himself nor would he discuss the question of the amount of money necessary to insure or guarantee loans. He said he did not care to go into the details of any plan. Nor would he state which Government agencies should handle the matter. He said there were several plans before the Congress and referred to the Mead bill and the Wagner-Spence bills and suggested that the Committee get information on these matters from the RFC, the Federal Reserve Board, or the Smaller War Plants Corporation.

He declined to express his personal opinion on the question of increasing the tax exemption for small business without first conferring with the Secretary of the Treasury and he also declined to express his opinion on the effect of monopolies on small business without first conferring with the Attorney General.

Congressman Robinson stated that perhaps one of the difficulties that small business has in obtaining necessary financing is the refusal of banks to get back to the old standard of making loans on personal security, stating that banks generally are content to invest their funds in Government securities and levy service charges. Secretary Wallace stated that he doubted if banks will ever get back to "character banking". He said their experience in the depression and subsequent banking regulations set up under law has caused banks to go out of that type of banking. He agreed, however, that local bankers who are acquainted with the smaller business man are best fitted to assist him.

Congressman Patman asked the Secretary to submit two questions to his Advisory Committee on Small Business for its opinion: namely, (1) what should be done to curb or restrict the expansion or activities of national chain stores and (2), explain in just what way the Robinson-Patman Act works to the disadvantage of small business. The answers to these questions are to be incorporated in the record of the hearings.