

# LAW AND CONTEMPORARY PROBLEMS

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VOLUME XI

SUMMER-AUTUMN, 1945

NUMBER 2

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## FOREWORD

Despite the strength, undeniably great, of the world-wide forces driving toward a cartellized economy, the psychological power of the ideal of small business, in the United States at least, refuses to be submerged. This ideal seems to have received reinvigoration, if indeed any was needed, from the dislocations of the war and the anticipated reorientations to follow its termination. The reader need hardly be reminded of the extent of public and private thought and discussion presently being given to problems of small business; it appears safe to say that hardly an organization of economic significance exists that has not studied, planned, spoken or written of these problems. The extensive activity, for instance, of the Senate Small Business Committee for the past several years is but one manifestation of this nation-wide current, in circles private and governmental. In concentrating upon Financing Small Business, this symposium by no means implies a minimizing of other aspects of the problems of small business, without a solution of which financing alone is, of course, without significance.

The opening article, by Dr. Schmidt of the Chamber of Commerce of the United States, presents a balanced, sweeping view of "The Role and Problems of Small Business." The limitations and difficulties of small business are not overlooked.

Mr. Wilhelm, of the Department of Commerce's Division of Small Business, next comprehensively surveys whence comes the money for small business, under the title "How Small Business Competes for Funds." Here the reader will find one of the handiest summarizations of institutionalized sources of funds, public and private, which has appeared in print.

Not only getting started, or expanding, but survival itself frequently involves an outlay in costly equipment that must depend on capital more permanently invested than that afforded by the ninety-day loan. Difficulties, and their possible mitigation, in securing this capital are discussed by Mr. Louchheim, of the Staff of the Securities and Exchange Commission, in the succeeding article on "The Problem of Long Term and Equity Capital."

Perhaps in logical order the next article should be that of Mr. Drew, of the American Bankers Association, on "The Role of the Commercial Bank." Unavoidable delay in preparing the manuscript forced the inclusion of the article toward the end of this symposium. The same is true of the article which follows Mr. Drew's, by Mr. Charles B. Henderson, Chairman of the Board of the Reconstruc-

tion Finance Corporation, on "The RFC 75% Program"; this article provides a logical supplement to Mr. Drew's. The reader will find in Mr. Drew's article a valuable category of protective clauses increasingly important as the commercial banker expands his role into longer term financing. Rounding out the picture initiated by the two articles last mentioned is that of Mr. Smith, economist of the Federal Reserve, on "Small Retailer Credit Sources"; this article explores non-commercial bank sources of working capital and is limited to small retailers.

The lawyer having occasion to give counsel has cause again, as so often in the past, to be grateful to Professor Glenn, whose "Mercantile Collateral Law—Present-Day Changes," enables the lawyer to brush up on the latest wrinkles in bankruptcy, assignment of accounts, and other legal devices of special pertinence to the creditor looking for security for mercantile financing.

A business can be small and still be interested in going "to the public" as a source of capital. Mr. Margraf, of the New York bar, therefore raises a pertinent question by his interrogative title: "Does Securities Regulation Hinder Financing Small Business." While the emphasis is on federal regulation, that of the states is not overlooked.

Of somewhat more specialized application is the article that follows, by Mr. Podell, General Counsel of the Smaller War Plants Corporation, on "Financing the Acquisition of Surplus Plants and Goods," exploring the financing potentialities and techniques of that and related agencies with respect to surpluses.

In "Financial Advice and Guidance for Small Business," Mr. Wexman, of the staff of the Committee for Economic Development, outlines the need, as well as the existing and potential sources, of advice on financial policy.

Then follow several articles which, though not solely concerned with finance, are sufficiently related to make valuable contribution to this symposium. Veterans and those who counsel them will be interested in "Small Business for Veterans," by Mr. Myers, of the Department of Commerce. The next article, by Mr. Stoddard, President of the New England Development Corporation, shows what can be achieved when regional co-operative groups make a well-planned concerted effort, by financial aid and otherwise, "to organize the resources of the community on a long-time basis."

No discussion can be complete, in this tax-weary world, without some treatment of taxes; against this deficiency in literary diet Professor King, of New York University, safeguards us in his "Relation of Federal Taxation to the Financing of Small Business," to which will be found appended the taxation report of the Small Business Advisory Committee.

To incorporate the small business or not? Professor Breckenridge, of the University of North Carolina, presents pros and cons in his exposition of the pertinent legal aspects of liability, taxation, continuity and access to capital afforded by the several forms of business organization.

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