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Book Review: Annotations on Small Loan Laws

Charles E. Clark
Yale Law School

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The preface states that "this is essentially a legal reference book." As such, it is competent and complete. It provides information as to all American statutes and decisions concerning the regulation of the small loan business. After general annotations dealing with the purpose and interpretation of the statutes and the cases involving their constitutionality, it proceeds to sectional annotations of the Sixth, or latest, Draft of the Uniform Small Loan Law, sponsored by the Department of Remedial Loans of the Russell Sage Foundation. The annotations give the state laws and decisions on the points covered by the twenty-seven sections of the uniform law. Thereafter follow a discussion of devices and methods used to evade statutory interest limitations, together with the relevant provisions of the uniform law controlling such evasions, then appendices containing drafts of acts, citations of cases, a bibliography, and an adequate index. The book is therefore the necessary desk manual for all those concerned with the legal aspects of this important business.

I do not wish to dismiss it, however, as being merely the competent legal tool which it is. A word should be said of the broader aspects of the accomplishment which this work signalizes. For here is the culmination of a successful laboratory experiment in social research leading to governmental action with important results. The rapacity of the loan shark has been proverbial, but for generations we did nothing about it except to forbid usury. This did not lessen the economic need, but made its satisfaction more expensive by driving the business underground. As a competent commentator puts it, the "most obtrusive characteristic of American money lending in the nineteenth century and the early years of the twentieth was its illegality."1 This situation can be traced to the failure of American states generally to repeal their old usury laws, restricting lawful interest on loans to a maximum of 6, 8 or occasionally 10 per cent a year. Beginning in 1907, however, the Russell Sage Foundation sponsored competent and authoritative research in this field. From 1916 on it has recommended successive drafts of a Uniform Small Loan Law. As it happens, the author and his father have been connected with most of the legislation and much of the litigation in this field in their capacity as counsel for a small loan company; and the author has been chairman for ten years of the law committee of the American Association of Personal Finance Corporations. The consequence of the research and of the public agitation for protection of the small borrower is that thirty-three states2 now have legislation regulating the industry along lines for the most part either directly following or similar to those pointed out by the research. The business is one of the most strictly regulated industries in the country; indeed some say it is the most strictly regulated. Nevertheless it has grown and prospered, while supplying a real social need. The story is a thrilling and a satisfying one. It is a case study of research productive of results of governmental action which has protected the needy, and at the same time benefited the business itself by directing it along respectable and legal lines.

2. Including the District of Columbia and Hawaii.
Perhaps other industries prone to despise academic research and to resist public control might gain by a study of this history.

CHARLES E. CLARK†

New Haven, Conn.


Pliny the younger has been credited with the complaint that a death tax is an unnatural exaction since it augments the grief and sorrow of the bereaved. Although Mr. Hughes professes at the outset to "favor an Estate Tax" on the usual social grounds, he later betrays such an animus towards the tax, at least in its present form, as to make Pliny's disapproval seem mild indeed.

That the author writes from a "point of view" is, of course, entirely proper and tends to impart color to the book where it might otherwise be flat. But to the extent that it lacks objectivity, its usefulness as a guide to the future is necessarily impaired. Thus, Mr. Hughes defends at length the decision in Bowers v. Commissioner, 90 F. (2d) 790 (C. C. A. 7th, 1937), where the court had plainly departed from established principles. Shortly after publication of the book, that decision received the most crushing blow that can be dealt by the Supreme Court, namely, a per curiam reversal. But even though it frequently plays the role of the advocate, rather than that of the scholar, this volume will be helpful to counsel seeking support for their position in litigation.

The book contains much that is useful. It could hardly be otherwise when viewed against the broad background of the author's rich practical experience and in the light of the rigorous standards which he set for himself in its preparation. There are fourteen chapters, one of which deals with the gift tax. The first chapter contains a concise history of Federal death tax legis-

†Dean and Professor of Law, Yale Law School.

2. See Pp. iv-v.
4. Pp. 71 et seq.

Similarly, the author quite plainly attempts to prove that the Joint Resolution of March 3, 1931 [c. 454, 46 Stat. 1516 (1931)], is unconstitutional [pp. 174-178], and here again publication was followed by a unanimous decision of the Supreme Court reaching the contrary conclusion. Helvering v. Bullard, 303 U. S. 297 (1938).

6. The Preface states that he "has read the briefs in every Federal Estate Tax case presented to the Supreme Court of the United States, many briefs in the Circuit Courts of Appeal and Board of Tax Appeals, and has also read the recommendations of the Treasury Department, Reports of the Committee on Ways and Means of the House of Representatives, Reports of the Senate Finance Committee and the Debates in Congress concerning each Estate Tax Law enacted by Congress and the amendments there-to." P. iii.