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SENATE SMALL BUSINESS COMMITTEE— ITS RECORD AND OUTLOOK

PROGRESS REPORT
OF THE
SPECIAL COMMITTEE TO STUDY PROBLEMS
OF AMERICAN SMALL BUSINESS
UNITED STATES SENATE



FEBRUARY 12, 1945.—Referred to the Committee on Banking and
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UNITED STATES SENATE
SPECIAL COMMITTEE TO STUDY PROBLEMS OF AMERICAN
SMALL BUSINESS

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LETTER OF TRANSMITTAL

HON. JAMES E. MURRAY,
*Chairman, Special Committee to Study Problems of American
Small Business, United States Senate,
Washington, D. C.*

DEAR MR. CHAIRMAN: In transmitting this progress report certain acknowledgments should be made. The staffs of the subcommittees and other Senate Small Business Committee staff members supplied the initial information. These were then composed into a draft report by Arthur G. Silverman, counsel. The executive secretary rewrote certain parts of the report. It was then reviewed by Alfred J. Van Tassel, staff studies director, and Frederick W. Steckman, chief of information and reports.

The report recounts the place of small business in our economy, and reviews the work of the Senate Small Business Committee in its efforts to sustain free competition and insure small business its equal opportunity in the business world. It dwells upon the hazards to small business during the controlled economy of the war effort and examines the major problems confronting small business as we approach reconversion and peace. Certain plans for future committee work are discussed.

This report is in response to your request for an accounting to be rendered by you to the Senate. It also serves the purpose of answering an increasing demand of the public for information on the work done and contemplated.

Respectively yours,

DEWEY ANDERSON,
*Executive Secretary, Special Committee to Study Problems
of American Small Business.*

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FEBRUARY 12, 1945.—Reported to the Committee on Banking and Currency
and ordered to be printed

Mr. MURRAY, from the Committee to Study Problems of American
Small Business, submitted the following

REPORT

[Pursuant to S. Res. 28, 79th Cong., extending S. Res. 298, 76th Cong.]

PLACE OF SMALL BUSINESS IN AMERICAN LIFE

Never before have the American people been so small-business conscious. This is an outstanding fact of wartime America, shared by those at home and in our armed services. Such widespread understanding of the role of small business in winning the war and in achieving a prosperous economy afterward, is our surest safeguard for continuing and perfecting our free competitive-enterprise system—the American way of life.

Reaching such a conviction is no wartime accident. Nor is it a passing fancy. Its roots are firmly embedded in the historic traditions and developments of these United States. It expresses the yearning of our people to make their own way independently, accorded by their Government that equality of opportunity which is their birth-right under whose rules of the game they may become economically strong, even in an age of increasing concentration of economic power expressed in the form of giant corporations and mass production. It recognizes the tremendous social and economic force which small business has become in America. It demands that small business be preserved and strengthened by freeing it from all uneconomic hindrances, all unfair coercive practices, all unsound Government restraints.

“Small business,” as with other concepts which are universally understood and accepted in American thinking, eludes precise definition. Yet, whether measured in terms of sales, number of employees,

assets, or type of management operation,¹ people easily distinguish between small and large business. To them small business means a particular combination of social values, a pattern of civic life, a growing, free society, a healthy competitive business community. It is the small businessman, the individual enterpriser, the owner-operator who has become so closely identified with the many hundreds of villages and cities of this land that he is the very foundation of the home town's growth and development. He it is who starts from scratch to found a business, borrows and puts money into the local bank, develops the "know how" and does the pioneering which generates so many of the plans upon which our phenomenal industrial structure has been reared, employs his fellow townsmen, supports the schools, churches, and civic institutions. The whole community is traditionally stamped for good or ill by its small businessmen—the town takes its character from their enterprise, thrift, and civic mindedness.

There is another sense in which small business is of fundamental importance in American life. It has been the way for hardworking, ambitious but poor men to apply their knowledge, skill, and stick-to-itiveness to make their way up the ladder from day labor to business ownership. Here is a practical application of our highly prized ideal of equal opportunity under the American flag. It has been a great motive force among our people. It stimulates expression of the fundamental virtues of thrift, industry, intelligence, schooling, home ties, and family pride—in short those fireside virtues which have counted for so much in developing our strength and character as a nation. The advent of great business institutions in which men labor throughout their lives as wage workers has in no sense supplied adequate substitutes for these compelling drives of Americans seeking to become independent business enterprisers.

Small business has ever been the seedbed of economic growth. Nurtured by competition and stimulated by the prospect of some measure of wealth and comfort to small businessmen, it has fostered new developments, inventions, organizations, advancements which have added greatly to the volume and range of goods and services available to our people.

Among the approximately 3,000,000 separate businesses in 1944, a third were so small that the owner alone operated the establishment, oftentimes with the help of members of the family; almost two-thirds employed less than a hundred workers; less than 2 percent had over a hundred workers; and only 3,300 firms employed more than a thousand. Of the total business employment in this country, slightly less than

¹ Several such statistical yardsticks are to be found in the Census of Manufactures and other sources. According to this census for 1939, manufacturing concerns employing under 100 wage earners were 92 percent of all such concerns and accounted for 30 percent of all manufacturing employment; wholesalers with annual sales under \$200,000 made up 70 percent of all wholesale concerns and accounted for 39 percent of all wholesaling employment; retailers with net sales under \$50,000 totaled 91 percent of all retail stores and accounted for 56 percent of all retail wage earners; small manufacturers, so determined, produced 30 percent of all dollar output in manufacturing, small wholesalers 21 percent of all wholesale dollar sales; and small retailers, 42 percent of the total dollar sales at retail.

For purposes of administering the Smaller War Plants Act (Public Law 603, 77th Cong.) the war procurement services have regarded any manufacturing concern with less than 500 employees to be a small business. For purposes of allocating reconversion materials through the Smaller War Plants Corporation under section 204 (c) of the War Mobilization and Reconversion Act (Public Law 458, 78th Cong.), a small manufacturing concern is there defined as one employing 250 wage earners or less, subject to certain administrative variations and alternative standards of a flexible character for particular categories.

half (45 percent) is provided by concerns employing less than a hundred workers each. Here is a glimpse of the place of small business in the American business structure which is the greatest producer of goods and dispenser of services in the world today.

It is this American business, so largely made up of small and independent enterprisers, which makes its great appeal to our fighting men in camps and on battle lines. This is the America they are fighting for, a land of opportunity to which they yearn eagerly to return when they have defeated the foe.

The committee is receiving a growing number of inquiries from these men, seeking to find their place in the business community. They have displayed great courage and ingenuity. They have matured rapidly under fighting conditions. They have received training and attained skill. Many have married, and more seek to do so, assuming the obligations of family life which spur them on in their worthy desires to set up in business for themselves. Here is the next generation of businessmen, upon whom we must depend for that expansion of business activity which lies at the foundation of any boldly conceived program of continued full employment of our manpower and resources. It is our obligation to insure them a reasonable chance to succeed, by making certain that real small business opportunities await them.

PROBLEMS CONFRONTING SMALL BUSINESS

In thus highlighting small business' role in American life it is not implied that this important segment of business should have any favored treatment at the hands of government. Nor does it need any. In the economic field it is government's duty to insure like treatment to all participants in business. The very essence of free enterprise is embodied in this—that no one is favored to succeed, each is given the same opportunity, the economic climate is equally favorable for all.

Twentieth century business is properly based on competition expressed in efficiency of management, the ingenuity of enterprisers, the art of salesmanship, mastery of technical skills, and richness of promotional ideas. When the struggle for survival in the market place is confined to these areas of competition, then there is no need to worry about the fate of small business.

But when monopolistic practices of giant corporations make it impossible to compete in these terms by controlling raw materials, misusing patents, rigging prices, merging and combining to control and police the market, deliberately waging uneconomic price wars to kill competition, and confer favored treatment on particular business units; when small business and new enterprisers find it impossible to secure loans and capital on reasonable or equal terms with their larger competitors; when big business exerts its influence as a system of power over government to obtain special privileges; then indeed is there reason for fear. Enterprise under these conditions is not free. These practices indulged in for long, spell the death knell of small business, the great natural bulwark of competition.

This is not to say that there is any inherent death struggle between small and big business. Each has its place in our economy.

Some businesses reach their optimum of efficiency at relatively small size, others require the unification of many comparatively large units to produce mass assemblies at low costs. Even in that giant among manufacturers, steel, there are competing companies varying from "small" to "large." Moreover, much of all business is intertwined in so many ways that both small and big business are dependent on each other for success.

Why, then, focus attention on small business?

BECAUSE:

Developments of the last several decades have strengthened the monopolistic and near-monopolistic practices of economic giants in an ever-increasing area of American business.

The rate of such developments is alarming.

Powerful segments of the business community seek to preserve their favored positions through the use of nonbusiness methods, by influencing governments, by combining to control foreign and domestic markets, by withholding scientific knowledge and practices from general use, by obtaining special privileges as a means of defeating competition.

Before the tribunals of government determining important public policies affecting economic enterprise, powerful business can plead its case in the manner most likely to win, while the many thousands of little businesses scattered over the land have neither the funds, the time, nor the qualified pleaders to represent them successfully in the Nation's Capital.

The events of the last 4 years have seen a sixth of all businesses close their doors, ranging from a third of all contract construction enterprises to a twelfth of all finance, insurance, and real-estate firms. Even manufacturing, which has been increased to heights never before dreamed of, has barely held its own in number of operating firms. Will these businesses be reestablished after the war—by whom, and under what conditions of competition?

To carry on this global war the Government has become a businessman, the largest owner of plants, equipment, stocks, and inventories in the United States, the use or disposal of which will determine for many already established American concerns whether they will be able to survive, to compete, and whether newcomers can open businesses. One policy may stifle small business, another may nourish it.

The wartime tax structure falls relatively more heavily on new and small businesses than on long-established, large firms, making it very difficult for the former to lay aside funds for reconversion to peacetime operations, thus jeopardizing their chances of survival.

The cash position of many small firms under wartime operations is dangerously low as compared with their large competitors, making necessary adequate assurance in contract-termination arrangements and loan facilities that they may secure reasonable support.

The Government has wisely seen fit to provide returning members of the armed services with certain guaranties of limited loans to enable them to begin economic activities. This suggests the supplemental need for special facilities being provided them which will equip them with the tools of business upon which their ultimate success will so largely depend.

The Government has mobilized business in the interest of our war aims in ways which have been unfairly burdensome in many instances

to small business; the removal of these priority and price controls in an orderly manner not disadvantageous to small business is a prime requisite.

The increasing role of Government in economic life has placed a heavy load of paper work on business, especially difficult for the small businessman to bear; he needs particular treatment commensurate with his size of operations which would more nearly equalize his position in this regard with that of his big competitor.

We are on the eve of a tremendous expansion of foreign trade, which will not directly benefit small businessmen comparably to big ones unless Government action provides knowledge and facilities enabling them to take equal advantage of these opportunities.

ROLE OF THE SENATE SPECIAL COMMITTEE TO STUDY PROBLEMS OF AMERICAN SMALL BUSINESS

The Senate Small Business Committee, as with its companion committee in the House, was formed in response to a widespread and insistent demand from businessmen all over the country that Congress give major attention to the plight of small business. Suffering from a decade of the most severe depression in the Nation's history, their ranks decimated by thousands of liquidations due to causes beyond their individual control, these businessmen properly looked to Congress to examine their problems, and to pursue a course of remedial action by legislation and review of the administrative effectiveness of laws intended to stabilize business and insure free competitive enterprise.

The Senate Small Business Committee was created by unanimous resolution of the Senate in October 1940—

* * * to study and survey by means of research all the problems of American small-business enterprise, obtaining all facts possible in relation thereto which would not only be of public interest but which would aid the Congress in enacting remedial legislation. The committee shall begin its study and research survey as soon as practicable and shall continue and prosecute such study and research survey expeditiously and with all possible dispatch and shall report to the Senate as soon as practicable with recommendations for legislation.

The committee has filled a need so widely felt in the business communities of the country that it has been unanimously continued in successive years by the Senate of the United States. Examining, through careful study, hearings and conferences with businessmen and citizens generally, some of the many problems listed above, it has recommended and obtained the enactment of major legislation which has benefited not only the small businessmen themselves, but the economic life of the Nation as a whole.

As the country slowly lifted itself from the trough of depression, new and increasingly complex problems demanded the attention of the committee. Then, as the defense effort got under way, and business was confronted with the drastic cuts, shifts of emphasis, priorities, price, and other controls of wartime the small businessmen of the Nation sought a forum in the Senate Small Business Committee for the expression and clarification of their particular war problems.

Now, as the war effort reaches its maximum and as cut-backs, re-conversion loom on the horizon, the Congress is called upon to devote special and increased attention to the study of the problems of small business in an effort to adjust its circumstances to

the changing economic scene through legislation which will insure it a fairly competitive position with all other segments of the business community.

The creation of a special committee on small-business problems has had many advantages for the citizens and the Congress. The range of problems requiring attention is so wide that none is expert in all of them. Hence the use of agency personnel for particular assignments within their professional competency for short periods of time has given the findings of the committee unusually high merit, has not burdened the committee with the disabilities sometimes found in more permanent bodies, which has been reflected in the increased interest and will-to-do on the part of the administrative agency whose personnel has been temporarily drawn into the committee's activities. The existence of this committee has provided small businessmen with a forum for discussion of their changing problems, access to a small but competent staff of persons experienced in these problems, and a channel through which they and the Senate have obtained satisfactory settlement of many involved and difficult issues between them and the administrative agencies of the Government.

A bipartisan committee, representing varying political and economic views, but in accord in their desire to preserve and strengthen the free-enterprise system which all regard as essential to the American way of life, the Senate Small Business Committee has been extremely active during the years of its existence. The volume of work before it now, and the demand for study of reconversion and immediate post-war problems of small business press even more insistently for the committee's attention. To meet the reasonable expectation of American small business that its elected representatives will not fail them in this hour of their great need, the Senate Small Business Committee is redoubling its efforts to survey adequately the problems of small business and to recommend such action as it deems necessary.

During the more than 4 years of its existence, the Senate Small Business Committee has achieved a record in behalf of American free enterprise. Its members and staff have become so well versed in the continuing problems confronting small business that gradually and in ways most beneficial to the economy as a whole they are developing solutions for these problems—some legislative, some administrative in character—which are becoming accepted parts of the economic system. A vast amount of time and effort has gone into the 97 hearings and 46 reports of hearings published to date. Much more study and committee activity is represented by the numerous conferences and communications with businessmen, the Members of the Senate, administrative officials, and the people generally. Yet, so important are the problems of small business, both those resulting from the accumulation of the several decades of growing monopoly and near-monopoly pressure on independent business enterprise and those resulting from the drastic shift of our entire economy to the total war effort, that even greater emphasis and the expenditure of more time is necessary to establish a healthy environment for the expansion of free enterprise. An understanding of the committee's role in past and future work on behalf of small business requires the following brief topical summary of certain among the more important problems confronting American small business.

SMALL BUSINESS GOES TO WAR

Shortly after being established, the swiftly changing world scene obliged the committee to devote itself almost exclusively to the part of small business in the rapidly developing defense effort. An appraisal of the peacetime agencies of government revealed that none was well prepared to examine and act upon the problems particularly confronting small business in those uncertain times. Early inquiries met with receptive responses in certain circles, and within the committee's first year of existence the Department of Justice set up a small business unit where small businessmen could have their complaints investigated and obtain appropriate remedies. The committee prevailed upon the Department of Commerce to set up a small business unit to study constructively the problems of small enterprisers, making available to them in understandable form the vast amount of information on foreign and domestic commerce and many of the changing regulations to which big business had long had appropriate access and which was no small item in the advantages the latter had over the former. Other agencies of government, the Army and Navy particularly, as a result of the committee's efforts, ultimately found it necessary to set up staff units especially designed to meet small business procurement needs.

The iron necessity of global war finally forced on Government and industry the realization that in the Nation's smaller war plants lay a vast, untapped reservoir of productive capacity. Though the Nation was already in a state of full emergency and the swift all-out conversion of our industry was the only possible answer to the urgent supply requirements of ourselves and our future allies, outmoded attitudes and procedures persisted over the procurement scene.

For a time our small-business potential was completely ignored or hardly used at all. In September 1941, 75 percent of all supply contracts was in the hands of 56 big corporations and the remaining 25 percent held by only 6,000 of the Nation's 175,000 manufacturers. On top of this, \$13,000,000,000 had been authorized for plant construction and expansion—most of it for the benefit of the larger manufacturers—while our smaller plants were permitted to languish, unused.

These practices were not only developing a lopsided defense program, they were also wreaking havoc upon the Nation's small business. The Government was rapidly becoming the principal customer for all American business. The volume of civilian goods was swiftly shrinking. Limitation orders on raw materials for civilian use were increasing day by day. Manpower was being diverted to defense production or to the armed forces. In short, it meant, if you were a small manufacturer, that you were either lucky enough to get into the defense program or took your chances in a rapidly diminishing area of civilian operations.

The committee urged from the first that the only way out was to give small business a full ticket of admittance into the defense program, to spread procurement by breaking it into small-lot prime contracts wherever feasible, and by stimulating and even compelling more and more subcontracting.

Some progress was achieved. The Office of Small Business Activities of the Office of Production Management was enlarged and transferred to a Defense Contracts Service. Later, an Executive order set

up a Division of Contract Distribution in the Office of Production Management. However, a clear policy was never adopted; perhaps because the lack of any mandatory power in these agencies made it futile to do so. In any case, these partial measures proved wholly inadequate and the Nation's smaller plants were left to scramble for a toehold on the outer fringe of the program, or to disappear altogether.

Pearl Harbor imposed a new urgency on the whole problem. The week following, the Senate Small Business Committee began a series of hearings upon it. They brought to light some differences on what to do (there could be none on the facts), and more important, a sizable residue of resistance, not always entirely vocal, to any major Government policy of really organizing smaller plants for large-scale prime and sub contracts in war production.

Testimony established an unquestionable need for action along positive lines if small business was not to suffer irreparable injury and its productive resources lost to the war effort. The following specific measures were found to be a minimum program:

(a) Wide dissemination of advance information on contracts to be awarded so that small concerns could prepare their bids and compete for the contracts themselves and for a share in any resultant subcontracts.

(b) Utmost decentralization of procurement authority to local field offices with only policy coordination reserved to Washington.

(c) Financial assistance to small concerns supplied or guaranteed by the Government for plant conversion and working capital.

(d) Engineering and other technical assistance to small plants.

(e) The creation of a war agency specially charged and empowered to mobilize smaller plants in war production.

The committee prepared and introduced a bill (S. 2250) to realize these objectives. It steered the measure through its rather long and thorny legislative course to final passage, and to Executive approval on June 11, 1942.

This law became known as the Smaller War Plants Act (Public Law 603 of the 77th Cong.). It declared the policy to mobilize aggressively the productive capacity of all small business concerns to augment war production. It granted substantial financing, leasing, informational and procurement authority to a corporate agency, called the Smaller War Plants Corporation, created to carry out this declared policy.

It was pioneer legislation of its kind. Here Congress recognized for the first time in our history that the Nation's small business has a proper and indispensable part to play in our system of free enterprise. The committee means to see to it that this salutary truth, which received long overdue recognition only under war compulsion, is not lost sight of in making and carrying out economic policies for the future.

Established within the War Production Board with a comparatively small capital of \$150,000,000, the performance of the Smaller War Plants Corporation left much to be desired for altogether too long after its creation. Apparently, the unavowed hostility of certain procurement services at the outset contributed substantially to this initial ineffectiveness. The committee held extensive hearings into the enforcement of the act and to fix responsibility for disregard of its

mandate. The story that unfolded in hearing after hearing showed that something more than legislation was needed to get smaller plants into war production. Procurement attitudes and practices did not always square with professed friendship for small business or an avowed willingness to adhere to the declared policy of Congress.

For many months after the passage of Public Law 603, the War Department had, in effect, avoided implementing the policy of the act. The committee in a series of hearings uncovered extensive "earmarking" of orders from Washington to the regional offices; little, if any, decentralization of procurement authority; a grudging and ineffective liaison with the Smaller War Plants Corporation; and an ingrained reluctance, always present in the field but never sufficiently discouraged from Washington, to uncover and develop potential small-plant capacity for particular procurement needs.

The small-business record of the Maritime Commission was even worse. The evidence at the committee's hearings established that item after item of maritime equipment suitable for small-plant fabrication was ordered and reordered from long-favored larger concerns; that smaller concerns were being given inadequate notice and access to plans and specifications for preparation of bids; and that efforts of the Smaller War Plants Corporation to establish working liaison with the Commission had for a long time been given little real encouragement.

These were the encrusted procurement attitudes at which the committee had aimed the powers and directives of Public Law 603. They have now been made to yield in a large measure to the unprecedented exactions of production for global war. It is of utmost significance for the future, however, that a soundly conceived program to realize the rightful role of small business in the Nation's all-out production effort was such a potent instrument in putting our war procurement house in order.

The Smaller War Plants Corporation must itself bear its share of responsibility for this short fulfillment of Public Law 603 at the outset. In too many instances its financing policies and practices had overlooked that in performing a war contract good character and production "know how" more than a balance sheet or financial statement, are the real guaranty of repayment. Too often also the important power of the Corporation to take a prime contract under section 4 (f) (5) of the act, had remained unused, particularly when its use would have been very effective in dealing with recalcitrant procurement officials.

These and other phases of the Corporation's internal operations were searchingly inquired into by the committee in a long series of executive hearings beginning the early summer of 1943. The ensuing confidential report was rendered in late August and led to several changes in top personnel and administrative policy.

This case history illustrates the necessity of Congress examining with considerable care at frequent intervals the administration of new legislation having sweeping effects on agencies established in the executive branch of the Government. Much of the vitality of the application of Public Law 603 is due in no small measure to the refusal of the Senate Small Business Committee to let it languish and possibly die of malnutrition through failure of those responsible to care for it as prescribed by law.

While its operating problems have by no means disappeared, the Corporation is today well over the hump of its earlier difficulties. Good liaison exists with the various procurement services in Washington and in the field. Its 14 regional organizations are established as a recognized part of the war-production machinery in the several sections of the country. The record of prime and subcontracts placed with small concerns through the Corporation shows distinct improvement. A total of 35,185 prime contracts amounting to \$3,285,183,000 stands to its credit as of December 31, 1944. As of the same date, it had placed 36,638 subcontracts,¹ having an aggregate value of \$754,-496,000. Its record of financial aid to small concerns, though much improved, is still short of what the committee regards as the volume required by the necessities of total war. Through December 1944 it had made 3,174 loans and leases amounting in all to \$255,634,000.²

With the eventual stabilization of the war economy a new crop of small-business problems soon followed in the wake of rapidly changing developments. Whereas at the war's outset, the paramount need was to organize the mobilization of smaller plants for war production, the spotlight was now steadily shifting to the growing small-business stake in war contract cut-backs and cancelations; access to capital and credit, particularly contract-termination loans; allocation of materials for civilian supply; fair disposal of the fast accumulating surplus war property and Government-owned war plants; use of Government-owned patents and new production techniques; and need for a small-business agency of Government to function in these fields.

The committee had already begun its study of these developing needs in the early summer of 1943. June 15, it issued a preliminary report on contract termination which included the print of a bill providing, among other things, for mandatory termination loans in the interest of small contractors and subcontractors. Its above-mentioned confidential report in late August, following its inquiry into the Smaller War Plants Corporation that summer, proposed a series of legislative recommendations looking to eventual enlargement of the Corporation's scope and authority to deal with these new problems.

Early in 1944 a series of successive, preliminary prints of a measure embodying these and other recommendations were widely circulated by the committee for discussion in business, professional, and Government circles. These culminated in a bill (S. 1913) introduced by the chairman May 12, 1944, which, together with the committee's accompanying report, was also widely publicized and circulated. Hundreds of letters were received from small concerns all over the country evaluating the measure and report in terms of their own particular needs. Field hearings later held by the committee in Boston, Fort Wayne, and Indianapolis indicated unmistakably that the intelligent awareness of small businessmen concerning their own vital stake in these new problems was not lagging behind the growing scope and importance of the problems themselves.

This accelerating small-business interest in reconversion and the committee's legislative program and activities to realize it, had their most marked effect, however, when the Seventy-eighth Congress came to consider major reconversion legislation in the summer of 1944.

¹ Incomplete. Reflects, in most instances, only first subcontracts placed with assistance of the Corporation.

² Authorization by the Corporation.

All three of the resultant enactments clearly recognize and substantially protect this growing interest of small business.

Thus, by the Contract Settlement Act (Public Law 395), the Smaller War Plants Corporation may now provide interim and other financing, besides expedited compensation in connection with the war-contract-termination claims of small concerns. The Surplus Property Act (Public Law 457) authorizes it to finance, by loan or guaranty, the purchase of Government-owned plants and other surplus property and even to make the purchases itself for resale. Under the War Mobilization and Reconversion Act (Public Law 458), the Corporation is to present to the Reconversion Director the claims of smaller plants to a fair percentage of reconversion materials for allocation to them, and it is then to regulate distribution of the percentage so allocated. In light of these additional powers, and also to strengthen its war-procurement arm, Congress has already increased its authorized capital by \$200,000,000 (Public Law 474).

One further word concerning the Smaller War Plants Corporation. Its corporate life is now due to expire on July 1, 1945. That date, however, cannot be permitted to stand without nullifying the enlarged responsibilities for reconversion which the Congress has already entrusted to the Corporation, not to mention the renewed importance of its war-production role in light of the stiffened resistance of the enemy. This approaching expiration date hangs like a threatening cloud over the Corporation, hindering its administrative operations, making it difficult to secure competent personnel, and causing confusion and doubt among the small businessmen whom it serves. Legislation has already been introduced to extend the Corporation's life for a period commensurate with the time factors involved in its continued war production and other responsibilities. The committee will press for early passage of this required legislation.

WARTIME FLIGHT OF SMALL DISTRIBUTORS

The committee did not confine itself during this war period to the small manufacturer only. As price ceilings and curtailments of civilian supply swiftly accumulated to fill in the contours of a full-fledged war economy, the small distributor's problems daily multiplied in number and urgency. In due course, these found their way to the committee. The price squeeze in its manifold varieties of special circumstance, the thousand and one particular problems of short supply, of rationed or irreplaceable and vanishing inventories—these problems soon became a substantial portion of the committee's daily task. Its method and results in this field will be later treated under other heads.

However, one such problem, aside from the extensive particular hardship it involved, reached such large-scale proportions, seriously threatening the existence of so many distributors in so many trades and industries, that legislation was indicated to be the only effective answer. The committee thereupon introduced its own remedial measure, which it carried to enactment (Public Law 549, 77th Cong.) The scope and importance of this entire problem justify brief reference to it here.

On January 1, 1942, the Government ordered the production of passenger automobiles discontinued and froze the stock of new cars

in dealers' hands. This step threatened with bankruptcy the 50,000 automobile dealers throughout the country. Without delay the committee called a conference between officials of the National Automobile Dealers' Association and the heads of the various Government agencies. As a result, the committee recommended the above legislation, directing the Reconstruction Finance Corporation to lend to all dealers (not merely to those in the automobile business) whose stocks were thus frozen the full amount of their investment therein plus a reasonable cost for warehousing and handling.

The law further provides that any dealer holding unsold stocks of goods 18 months after the imposition of a freezing order may sell his merchandise to the Reconstruction Finance Corporation at the current ceiling price for the particular commodity.

A prominent credit-reporting agency in New York has credited this law with being largely instrumental in halting the rise in the mortality rate among automobile dealers.

However, since its benefits are not restricted to that line of business only, this law has also been a potent stabilizing factor for many other lines of distribution as well. In particular, small concerns handling typewriters, oil burners, refrigerating units, and bakery equipment have all greatly benefited from the relief provided by Public Law 549.¹

THE TIRE-DEALER PROBLEM

Closely related to the wartime distribution problems of the automobile dealers was that of the Nation's 300,000 independent tire dealers. The committee was quick to recognize the acute distress that the war had worked in this predominately small-business trade. On February 29, 1942, it adopted a resolution recommending that while this wartime situation continued all tire sales and servicing be channeled through the independent dealers, and that all tire-servicing machinery be sold only to independent retailers. This resolution influenced changes in distribution within the industry which saved the majority of the independent tire dealers from liquidation.

By hearings, inquiries, correspondence, and otherwise, the committee has maintained a deep interest in the problems of this war-distressed industry. Its data and conclusions, later made available to the Baruch Rubber Committee were acknowledged by a letter from Mr. Bernard M. Baruch to the chairman, stating:

You can see how much of the judgment we took of you gentlemen who did us the honor of appearing before us. It was a liberal education for the members of my committee and my associates. It would be a wonderful thing if we could have more of that all the time.

The committee proposed and earnestly pressed for remedial legislation to deal effectively with tire-distribution problems. It was at a hearing on this legislation before the Senate Banking and Currency Committee that the over-all plan of the independent dealers was first presented for wartime tire servicing. Less than 30 days later the big rubber companies found it necessary to come forward with their own 3-year plan for essential tire use.

In a word, the steady interest of the committee in the problems of this war-stricken industry proved a salutary and, perhaps, determining influence in preserving the conditions whereby these 300,000 independent retailers were enabled to survive without the expenditure of any public funds.

¹ As of January 15, 1945, there had been in all 203,084 loans and guaranties totalling \$244,087,148 and 34,679 units purchased aggregating \$7,698,267.

SMALL BUSINESS IN RECONVERSION

When it appeared that the European enemy would be defeated during the fall of 1944, the wartime agencies immediately felt the effects in a rush of their responsible officers to return to their peacetime business responsibilities; a general disposition to let the other fellow do the job of unscrambling the intricate mass of wartime controls set up to reach the high goals of war production; a feeling that while controls must be maintained during the transition to peace, they should be few and not powerful and should be ended quickly. While some had remembrances of the post-war inflationary boom and crash following World War I, and sought an orderly demobilization of wartime controls, others were plainly impatient to be in a position to "get theirs" as soon as possible.

The Senate Committee on Small Business noted with misgivings the scant attention paid to the place of small business in reconversion plans. It remarked the substantial accomplishments of our economy under the compelling drive of war. Unemployment, the continuing problem harassing the Nation during peacetime, had been wiped out. Manpower was at an all-time premium. The highest standards of income ever achieved supported the fullest use of our productive capacity. All this was the result of a fine patriotism, underwriting a Government expenditure which made public spending the factor permitting this hitherto unknown level of goods and services. Something less than this strenuous use of all manpower in economic activity is necessary to produce what is needed for prosperous peacetime living, but reasonably full employment is the only goal of the post-war economy to use as a safe guide in demobilization and reconversion. To achieve such a level of activity, small business, and new business must enter the field, assured in their opportunity to compete in a game in which the rules are fair to all contenders. For it is only through substantial gains in amounts of goods and services above pre-war levels that any measure of prosperity can be achieved in this country. This is the first principle underlying reconversion. This is the basis of programming the shift from war to peace which will allow small business its rightful place in the economy. This is the purpose underlying the committee's studies of reconversion problems confronting small business.

It can be expected that the committee, as it develops an effective program of proper assistance to small business during reconversion, will examine the controls over production and materials, transportation, manpower, wages, and the use of labor, prices, and rationing, credit, fiscal policy, and international economic relationships. In pursuing its purposes the committee does not intend to duplicate the studies and investigations of other committees of the Senate. Rather, it is concerned with the stake of small business in these several elements of the reconversion program. By confining its efforts to this considerably smaller field within the larger areas of these tremendous problems, the committee believes it can make a distinct contribution to their solution which will be properly beneficial to small business and hence of value to the whole post-war economy.

In this context small business' role becomes an indispensable pillar to the whole structure, a barometer of the effectiveness of the reconversion program. Just as such a program must be conceived and

carried forward from its natural relationship to the conduct of the war, so must the role of small business in it be similarly conceived and carried on from the vital participation of small business in our production and distribution for war.

SMALL-BUSINESS NEED FOR CASH

This brings us to the main small-business reconversion needs already growing out of its relationship to this war and which the conditions of war itself have made possible of fulfillment.

There is the problem of reconversion financing for small business, which is such a live topic that it has already come in for extended and controversial discussion in banking, business, Government, academic, and even legislative circles. This problem may be profitably examined in two parts—one, the need of small business for ready cash or loans for working capital and, the other, for equity or risk capital derived from investment rather than loans.

The need of small business for ready cash arises directly out of this war. Unpaid termination claims, accumulated termination inventories, war taxes and renegotiation, short civilian supply, expensive war machinery are its main causes. A recent survey shows that the excess of assets over liabilities in 125 selected small concerns stands in the close relation of 1.17 to 1. For the smallest concerns having net worth less than \$100,000 it was 1.07 to 1. If this is typical of small business generally, it shows a most precarious cash position.

Much responsible opinion runs to the effect that this cash need should be supplied now. The interim financing provisions of the Contract Settlement Act are only a partial solution, reaching but a limited number of small manufacturers. The basic need may be some form of full reconversion loan financing to reach not only small manufacturers, but small distributors as well, particularly those hard hit by the war who are otherwise qualified to come back. Private banking should be urged to meet this need. The Government's responsibility cannot be discharged unless either this is done or Government itself stand ready to take up the slack.

EQUITY OR RISK CAPITAL

This concerns the flow of investment capital toward the expansion of existing small enterprises and the launching of new ones. This is much more than a financial problem. It is an aspect of the fundamental problem of holding the way open for small business to expand as a means of keeping our whole economy in full production and employment.

There are those who say that solution of the risk-capital problem lies in a revision of taxes downward. Lighten or abolish the excess-profits tax, say these advocates, and investment capital will at once flow into small enterprises. Undoubtedly there is an important relationship between revenue policy and the rate of new investment. Some revision of the excess-profits tax in favor of small business would undoubtedly help. But the whole solution does not lie in tax revision.

The committee has considered certain legislative proposals and held extensive hearings on this risk-capital problem. These proposals all authorize the use of Government funds to finance, by direct outlay or

by guaranty or insurance, new investments of various kinds. The committee does not as yet sponsor any proposal.

The committee is favorably inclined, however, toward the encouragement of investment pools on a local scale set-up to operate without discrimination under carefully thought-out conditions that would achieve the utmost possible free enterprise.

SMALL-BUSINESS SHARE IN SURPLUS-PROPERTY DISPOSAL

Here, perhaps better than anywhere, is illustrated the pivotal role of small business in the development of our reconversion thinking, policy, and action. When these huge piles of war surplus, a million items strong, ranging from shirts to jeeps to bomber plants, first loomed on the reconversion horizon early in 1944, their threatened impact on the small concerns of the country soon figured large in preliminary discussions of disposal policy. Various estimated from \$75,000,000,000 to \$102,000,000,000, the right disposal policy could handsomely support an expanding small-business economy. The wrong one might break the back of free enterprise itself.

Anticipating this situation, the chairman had already appointed a Subcommittee on Surplus Property to deal with the small-business stake in the whole problem. Its staff inquiries soon confirmed these preliminary indications. Protection of small-business trade channels, access to surplus inventories, widely circulated notice of sales in advance, disposals in small lots, the place of the Smaller War Plants Corporation in the disposal picture—all these quickly emerged as the main determinants of sound surplus-disposal policy.

The interest of small business was particularly at stake in the \$16,500,000,000 of Government-financed war plants and equipment. Of these plants, 1,163 had cost between \$25,000 and \$249,000; 1,027 between \$250,000 and a million. Properly allocated and effectively utilized, this enormous small-unit plant capacity could be a boon to thousands of small-business communities throughout the country. The alternative was to divert it toward a further industrial concentration and away from free competition.

Equally important, too, was the policy to govern disposal of the plants costing over a million dollars of public money. Would they be acquired exclusively by big business or monopoly? Would new, independent enterprises be allowed to compete for them at all? Would a policy of multiple tenancy operation be allowed whenever feasible? Was plant-disposal policy to be predetermined by the existing options and other legal conditions? The answers to these questions and all they implied are the vital concern of every small-business community in the country.

The key relation of small business to the surplus-disposal problem was brought into still sharper focus on February 15, 1944, by the Baruch-Hancock report. With its "goldfish bowl" policy, as with its other points on surplus property disposal, the subcommittee found itself in substantial agreement.

In July, after months of staff inquiry and research, the subcommittee published its preliminary report. In exploring the many small business areas of surplus disposal, it developed an over-all policy which was later to underlie the present Surplus Property Act of 1944.

With the reconvening of Congress on August 20, 1944, the subcommittee introduced a bill (S. 2065) carrying adequate small business safeguards. It enlisted wide support among organized small business, labor, and other groups. Eventually it became the basis on which such interested Government agencies as War Food Administration, Defense Plant Corporation, Foreign Economic Administration, and the Department of Justice determined their own respective courses. Some changes, substantial though not drastic, were made in committee and later on the Senate floor. It was in conference, however, that the subcommittee's small-business approach to surplus disposal met its severest test. The House had passed a measure quite different from the subcommittee's proposal with respect to its small-business provisions, among others.

What emerged from the proceedings of the conference may well be called a small-business measure. Intact are the policy objectives written into it by the subcommittee which declared for a broad, carefully regulated distribution of surpluses to reach small concerns and against all monopoly or undue concentration. Likewise retained were the principal procedures to realize these objectives, i. e., authority in the Smaller War Plants Corporation to acquire and finance small-lot surpluses for small concerns and certification by the Attorney General as to conformity with the antitrust laws, of all plant disposals over a million dollars.

The interest of the committee in the surplus-property disposal problem has not ended with enactment of this law. As with other legislation, its success will depend on administrative sympathy with its objectives and the promptness and skill with which they are translated into day to day enforcement policies.

Public hearings have been held recently by the subcommittee into disposal procedures of the Treasury Procurement Division, which is charged with disposal of a major portion of surplus property. During preparation of these hearings changes in the Division's top personnel occurred. A little later, at the subcommittee hearings, certain policy changes were announced by the new Assistant Secretary of the Treasury for Surplus Disposal. The committee confidently believes that these changes will make for a better realization of the objectives defined in the act.

Plans are already under way for continuance of these inquiries into the enforcement policies and procedures of other disposal agencies as they affect small business. They are to be friendly inquiries undertaken to explore the need for further legislation and to center public interest on the many small-business problems involved. However, from the hearings to date, it is already perfectly clear that much more than merely honest, routine efficiency in administration is required, if the small-business objectives of the act are to be fully realized.

The eventual size and variety of these surpluses promises to be so enormous and the impact on our economy so profound that it becomes imperative for us to realize certain things immediately. Chief of these is that our surplus-disposal policies must be closely correlated and integrated with all the rest of what we do in reconversion. This means that we must have a fairly accurate idea at all times of what and how much surplus is being declared and approximately what and how much is on its way to the point of declaration. And this, in turn,

means that declarations of surpluses must not be made suddenly, without warning, and in piecemeal fashion.

Without these safeguards, there can be little correlation of our disposal policies with the other needs of the economy, no means of regulating the rate of disposal according to particular market capacity, no adequate protection against abrupt market dislocations on the one hand and blind disregard of the consumer on the other. These are matters which the committee deems important in its continuing activity in surplus-property disposal.

MOBILIZING TECHNOLOGY FOR SMALL BUSINESS

Scientific research, technological advances, the latest management, advertising, and merchandising techniques are rapidly becoming a virtual monopoly of bigness. According to a National Research Council study in 1937, 13 large corporations employed one-third of all industrial research personnel. Only 1,722 concerns out of more than 150,000 manufacturing, processing, and mining enterprises reported any organized research facilities whatever.

Thanks to the war economy and particularly to its extensive participation in war production, small business is not likely to continue long under this competitive disadvantage. Its working relations with the larger plants and its contacts with Government engineers and other experts have already given to it a production "know how," an access to engineering techniques and devices that would have been impossible but for the war. After this experience, it is not in the nature of things for small concerns to do business again at the old stand in the old way. The compelling reason for lifting this differential handicap is that thereby the base of free competition will be broadened in the interest of a more productive economy for all.

How, as a practical matter, should this problem be approached? One way is through the thousands of Government-owned patents, techniques, and processes which have developed from the billions of public money spent for war-production research. These, plus the 45,000 patents seized from enemy aliens, are all Government property, subject to use and disposal in accordance with sound public policy. They open enormous peacetime possibilities. They might be made available to small business by nonexclusive licenses or other fair means. What the people have paid for should be for the use of all the people.

Aside from Government-owned patents, a great many new scientific techniques and products have developed in this war. Electronics, power metallurgy, centrifugal casting, and magnesium production are only a few fields in which this is true. These new methods and products and the research laboratories and facilities to test and develop still others, should be at the disposal of the small businessman as well as his large competitor. A Government agency might be properly authorized to carry out the policy of making all these latest production and distributive techniques available to him on reasonable terms. Arrangements could undoubtedly be made by an agency so authorized with a great many industrial laboratories and similar facilities, run by the Federal, State, and local governments, by educational institutions and private establishments whereby their services could be used by small concerns on a fair basis.

The small enterpriser, being a typical grass-roots American, is himself a potent source of new ideas and for developing and applying existing ones. The Government should see to it that every chance is given for the development of these aptitudes and for the proper use of his achievements.

WORLD MARKET FOR SMALL BUSINESS

The stake of small business in this key area of our economic future is great. We must sell and buy abroad several billions more than ever before in our history if we are to produce enough national income to avoid a return to the unemployment and other conditions of the 1930's. Whether we reach this foreign trade goal will depend, in large measure, on the kind of economic and political relations we cultivate and maintain with other nations.

It is in the enlightened self-interest of small business to further the kind of international arrangements that will realize this goal. Agreements to stabilize national currencies, to broaden the base of participation in world trade, to secure the nations against violence and aggression and the disruption that affect normal trade—agreements to these ends are the direct concern of all forward-looking small businessmen.

Too long has too much of our world trade been the exclusive preserve of the cartel, which is just another name for international monopoly. The effective participation of small business in world trade of the future can break the back of this cartel control and free international markets and prices from the disruptive consequences of its manipulations. Here is an area in which the small business role, properly realized and carried out, is indispensable to the Nation's prosperity.

The committee has extensively studied the relation of small business to world trade and hearings are in the final stage of preparation. Definitive proposals must await these hearings and an analysis of the data which they develop. However, this much we are prepared to say now. As in the other aspects of reconversion, the way must be kept open for American small business to compete freely for as much foreign business as it can get. It must no longer be penalized by its littleness. The small businessman cannot maintain elaborate sales and other organizations in foreign countries. Yet with effective means to reach foreign markets, his goods might well command ready sale.

Unnatural competitive inequalities the Government must take measures to correct, if small business is to have a real place in our future foreign trade. Facts, data, and even guidance on such things as foreign marketing, production, credit, transportation, import and export regulations, and the like, which the money and high-priced personnel of big concerns have always been able to command, should be made just as easily available and understood to the small exporter and importer.

G. I.'S STAKE IN SMALL BUSINESS

The importance of expanding small business enterprise to the kind of America our fighting men will want to live in when they return has already been indicated. They seek to participate in making and keeping it that way. That is why the particular role of the G. I. is

implicit in all these reconversion problems. The Congress has already legislated his priority to a job, to education and vocational training, to medical care, and, in very limited measure, to capital and credit for a business enterprise.

To the committee, the G. I. interest is woven throughout the whole pattern of our reconversion and post-war thinking. To some extent our reconversion legislation has already recognized this interest. Section 16 of the Surplus Property Act prescribes the need for regulations by the Surplus Property Board granting preferences to veterans in their acquisition and financing of war surpluses to establish and maintain their own small business, professional, or agricultural enterprises.

Under its existing powers the Smaller War Plants Corporation may make loans and guaranties to veterans for war or essential production. Likewise, its financing authority under the Surplus Property Act may be extended to veterans in small enterprise.

The G. I. bill of rights gives a veteran the right to a guaranty by the Veterans Administration, not to exceed \$2,000 or 50 percent of any outside loan. Of course, this outside loan may be by any authorized Government agency—the Reconstruction Finance Corporation, its subsidiaries, the Federal Reserve System, and the Smaller War Plants Corporation. The G. I. Act expressly enjoins cooperation between the Veterans Administration and other Government agencies in carrying out these financing provisions. A clear and comprehensive arrangement among all these agencies which realizes this cooperation in particular terms should be worked out and widely publicized as part of the Veterans Administration's responsibility under the Act.

The committee plans to inquire into the administrative measures taken to realize the full intent of all G. I. legislation as it affects small business. As part of these inquiries it intends to explore the need for further legislation to extend and strengthen the participation of our 13,000,000 G. I.'s in building the expanded small-business communities of post-war America.

REGIONAL DEVELOPMENT AND NEW INDUSTRIAL FRONTIERS

This war has changed the economic face of America. In vast areas of the West and South it has telescoped the industrial development of a generation into the space of a few short years. From giant new plants, along the Pacific coast, in the foothills of the Rockies and the fertile plains of the deep South, aircraft, aluminum, magnesium, rubber, even steel itself, have been flowing prodigiously into our production for total war. Mammoth ships of all kinds have been launched from the ways of California, Texas, Louisiana, and Alabama at a rate never dreamed of a decade ago.

Following the development of these giant new industries have come the masses of people to work in them, bringing all their economic and social wants and, so long as these new and expanded plants continue to produce, the consumer power to satisfy them. Smaller plants by scores and hundreds have subcontracted with larger ones to turn out needed parts, accessories, and subassemblies of all kinds for which smallness and special "know how" are their very stock and trade. Along with these, the shops, stores, and restaurants and professional services in these areas have come to flourish from the purchasing power of the augmented populations.

If we are to achieve full production and employment for the rest of the country, these new facilities born of war necessity, must be operated to the utmost in peacetime production. This is a major objective to be kept constantly in view in charting our reconversion course. We dare not safely permit these vast regions again to become the sources of cheap labor and raw materials for the benefit of other regions, to be denuded of their population and mulcted of their natural resources.

In all this, small business is vitally concerned. The maintenance and expansion of this new industrial capacity and its reconversion to full peacetime production, are indispensable to the kind of post-war America which the committee has envisaged for American small business.

That is why the committee has already studied and will continue to probe deeply into the particular problems of regional development.

That is why a series of field hearings along the Pacific coast were held this summer at which the testimony of large and small business, Government officials, engineers, bankers, civic and labor leaders so impressed the committee with the determination of the people of the West to retain and develop the industrial and other benefits brought to their communities by this war.

Field hearings on the regional problems of the South have been requested by large representative groups of southern business leaders and are now being planned by the committee.

Washington hearings are shortly to be scheduled on the reconversion and post-war potential of our war-grown light-metals industries, particularly aluminum and magnesium which lie at the root of so much of our new western and southern industry and the small-business economy of the future dependent on it.

In thus emphasizing regional development, the committee does not imply support for any narrow, sectional outlook upon our reconversion and post-war future. It is not a matter of the West and South against the North and East, or vice versa. It is rather that the economic future of the country as a whole with which many thousands of prosperous small-business communities must be closely integrated, can no longer be built upon the denial to any great region of its normal industrial development. We cannot have a healthy, growing economy with an Achilles heel at the Pacific or on the Gulf.

MINING AND MINERAL PROBLEMS OF SMALL PRODUCERS

Early in the life of the Committee on Small Business, mine operators besieged its members with their problems, aggravated into most serious proportions by the war effort. To effectively deal with this highly technical part of the business community, so largely made up of small individual enterprisers, the chairman established a subcommittee under the leadership of Senator James G. Scrugham, of the mining State of Nevada. This committee, staffed by a small but competent corps of experts, has been a principal factor in saving small operators during the war, and in enabling them to make their substantial contribution to the war-production effort.

In 2 years the committee held 21 hearings either in Washington or in the field. Experts and representatives of other agencies attended the field hearings, the result being in many cases that hearings became

round-table discussions of particular small mining problems and adjustments were often reached.

After each hearing the Government experts held "clinics" which were of the greatest value to the producers and would-be producers. The benefits of this system were manifold; the committee obtained a much more balanced view of each situation; the mine operators were able to have invaluable consultations with experts coming directly from their respective Washington agencies; the representatives of these agencies were, in turn, able to make extensive notes, get the feeling of the industry directly from the mines, and report to their superiors the difficulties mine operators were experiencing. Not the least benefit was the agreeable liaison which developed among agency representatives which has proven invaluable in improving their agency relationships.

In addition to the above procedure, the subcommittee prepared digests of the hearings as the transcripts became available without waiting for them to be printed and furnished these digests to the interested agencies and departments. These digests were prepared in the form of synopses of the individual hearings and as cross-digests by principal subjects.

Much constructive criticism at the hearings indicated the adverse effects upon domestic mine production of some of the many controls, procedures, and policies of the Government. Many salutary, administrative changes were made as the result of these hearings.

An outstanding example of this occurred during the early part of 1943. At that time certain general readjustments threatened the domestic strategic and critical minerals program with wholesale contractions and cancelations. The subcommittee held hearings in Washington on this situation. The subcommittee suggested an over-all minerals policy which was very well received by the domestic mining industry of the Nation. The result was the formation of a constructive national war-minerals policy by the War Production Board and endorsed by the President.

As part of its work, the subcommittee has helped several hundred small mine operators to secure prompt solutions to their individual problems. It has interceded in many meritorious cases to secure mine loans, access roads, exploration of mineral deposits, priorities, quota revisions and premium payments for copper, lead, and zinc, etc. Many mines never would have been brought into production without this help. Others would have closed down. The war-production effort was the main beneficiary of these efforts.

Following disclosures at public hearings and in its case work, the subcommittee made studies of particular phases of the minerals and metals program as they affected the mining and metals industries. These studies are compiled in Senate Subcommittee Print No. 6, entitled "A Survey of the Nation's Critical and Strategic Minerals and Metals Program," which include analytical treatment of the national war-mineral and domestic-mining policies; the manpower problem of small mines; the premium price plan for copper, lead, and zinc; Metals Reserve purchasing and stock piling; and Government financing of mining projects. Three thousand of this print have been distributed among mining and metals industries and officials of Government agencies.

A preliminary report of the Future Problems of the Nation's Critical and Strategic Minerals and Metals Industry was recently released as Subcommittee Print No. 7. Requests for several thousand copies already have been received.

At the request of the Securities and Exchange Commission, subcommittee staff research and inquiry has produced a report analyzing certain proposals of that agency modifying its rules and forms for raising venture capital for small mine operations. This unpublished report, recently submitted to the committee chairman, has been approved and transmitted to the Securities and Exchange Commission.

Months of staff study, following conferences with mining and metals industries and with Government officials, have resulted in specific plans and proposals for a permanent stock pile of critical and strategic minerals and metals for use in the event of future emergency.

Little or no accurate information is available on what has been done to stimulate and purchase foreign production of strategic and critical metals and minerals. Since the position of this country in this war—concerning foreign commitments and the financing of foreign producers—will have a decided bearing upon post-war adjustments, the subcommittee has in progress an exhaustive survey and study of the foreign metals and minerals procurement program. This project is to obtain complete but concise information on the purchase, stock piling or importation into the United States of all minerals and metals designated by the President as strategic and critical during the emergency by whatever agencies such materials have been acquired, and to show further what methods have been used and what funds have been expended to stimulate foreign production.

In addition to its part in the formulation by the War Production Board of a national war-minerals policy endorsed and made public by the President, the subcommittee has contributed to and influenced the shaping and modification of departmental and agency plans, policies, and procedures, the results of which have been of value to the mining industry and to the war effort. Plans for premature cut-backs in the production of certain strategic and critical metals were vigorously and effectively protested by the subcommittee, both publicly and in private conferences with Government officials. In some instances amelioration of cancellation terms has been obtained.

Applicants for access roads to raw material deposits were aided; the granting of the necessary funds was expedited; and agency procedure streamlined. Improvements were secured in the handling of quota-revisions applications and premium payments to increase the production of marginal mine operations producing copper, lead, and zinc. Correlation of this work with the premium plan-quota committee, plus conferences held with the Metals Reserve Company, resulted in the adoption of short-cut methods by which payments to operators were made promptly after the receipt of their shipments by mills and smelters. Through this procedure many small operators were relieved of distress due to their lack of large capital resources. The subcommittee also has been responsible for establishing ore-purchase depots in certain areas which had not previously been so served and adding certain ores to the list of minerals purchased. Policy problems in the Reconstruction Finance Corporation Mine Loan Division have been vigorously dealt with, as a consequence of which

a number of improvements in policy and operating technique have been brought about.

The subcommittee has introduced various measures to liberalize the domestic mining program. Among these was S. 1160, later known as S. 1582, or the Scrugham stock-piling bill, of which Senators Murray, Hayden, Johnson of Colorado, and Maybank were cointroducers. Although this bill was not reported out by the Committee on Mines and Mining of the Seventy-eighth Congress, major recommendations in it were incorporated in the Stock Piling Section of the Surplus Property Act (Public Law 457, 78th Cong.). Though this stock-piling provision was somewhat weakened in conference, it is now law, and registers a long step in the right direction in establishing permanent national stock piles of metal and minerals as settled congressional policy.

The subcommittee actively participated in preparation and passage of Public Laws 47 and 347 (78th Cong.), authorizing a moratorium on assessment work on unpatented mining claims and on tunnel site mining claims until after termination of hostilities.

Bills pending at the close of the last session of Congress and which have been reintroduced in revised form during the current session, include S. 2090, to amend section 14 of the Reconstruction Finance Corporation Act to authorize mining, milling, or smelting loans; S. 344, to provide for suspending the enforcement of certain obligations against operators of lode or placer mines forced to cease operations because of the war; and S. 1912, to insure the preservation of technical and economic records of domestic sources of metals and minerals.

SMALL BUSINESS AND COMMERCIAL RENT CONTROL

July 14, 1944, following numerous complaints, the committee held a hearing in Washington on excessive rentals and other onerous requirements sought to be imposed on small concerns in connection with commercial and industrial occupancies. Seventeen witnesses were heard and a great deal of documentary evidence introduced. They included tenants, tenant groups, landlords, real-estate groups, and Federal and local officials.

In its report issued later that fall, the committee found that in the so-called garment center of New York City where available loft space had all but disappeared, the problem was most acute. The unconscionable demands and exactions of loft-building owners in that area had reached widespread proportions and were threatening the security and continuance of large numbers of small concerns. However, it appeared that this condition was not national in scope but was confined, for the most part, to New York City.

The committee, therefore, declined at that time to recommend legislation for the Federal regulation of commercial rents but urged instead that those States where the problem had already become acute, as in New York, or was threatening to develop seriously, adopt their own remedial measures. The report called particular attention to a joint committee already established by the New York State Legislature to deal with the problem and pointedly expressed the hope that its study would "speedily mature into effective remedial

action." The committee promised to watch the situation closely, and made clear that it would not hesitate itself to take appropriate action if the problem should grow in extent and acuteness.

The situation in New York did not abate; in fact, it continued to grow more serious. In other cities of the country too, there were indications of an accelerating trend, and more important, the Office of Price Administration later reported that in certain areas, pressure on price ceilings was beginning to reflect these excessive charges for commercial space.

Accordingly, still later that fall, the chairman and one other member of the committee testified before the Senate Banking and Currency Committee in support of a measure which, subject to certain limitations, would have extended the authority of the Office of Price Administration to include control over commercial space. Though this measure never reached the Senate floor, the July hearing and ensuing report of the Senate Small Business Committee, along with the later hearing of the Senate Banking and Currency Committee, spurred the enactment of State legislation which has now substantially alleviated the widespread distress among small concerns in New York City. Under the new State law, commercial rental increases are limited to 15 percent above the March 1, 1943, level. This development should have a salutary effect upon those responsible for trends toward commercial rent excesses in other cities of the country.

BURDEN OF PAPER WORK

Even before the war, the great number of requests made by various Government agencies for statistical and other data constituted an increasingly serious burden to businessmen. With the advent of the wartime planned economy, the volume of such requests threatened to become staggering. This burden was particularly onerous to executives of smaller companies already burdened with extra wartime duties.

The committee recognized the agencies' need for information, but it also realized that smaller concerns must be relieved from the burden of this added work. Legislation was, therefore, recommended to Congress for this purpose. Public Law 831, signed by the President December 24, 1942, provided that all requests for information directed by any Government agency to more than 12 concerns must secure the approval of the Director of the Bureau of the Budget before they could be sent out. That official was authorized to require the simplification of statistical reporting forms and the coordination of information gathered by the various agencies in order to minimize the labor required of businessmen in supplying necessary data.

The report of the first year's operations under this act has been gratifying. In it the Director of the Bureau of the Budget indicates that of a total of 7,484 forms submitted for his approval 907, or 12.1 percent, were disapproved. The report emphasizes, however, that these figures do not comprise the forms disapproved by the agencies' own internal control units which were set up to facilitate compliance with Budget Bureau standards. In addition, the Director calls atten-

tion to the fact that standardization and simplification of authorized forms, plus coordination of information gathered by the several agencies, have resulted in a decrease in the number of reports required, and a consequent substantial curtailment of paper work for businessmen. The truth of this statement is attested by the fact that few, if any, complaints regarding demands for statistical reports are now being received by the Members of the Congress.

SMALL BUSINESS COMPLAINTS

As the formation of the Senate Small Business Committee was announced to the public, many hundreds of complaints being received by Senators from their constituents were channeled by them to the committee. As the staff of the committee developed the proper working arrangements with the administrative agencies, and as they demonstrated expertness in handling oftentimes intricate business problems affecting small business, so the volume of their work grew. Increasingly, small business over the country, and the Members of the Senate requiring such service, looked to the staff of the Senate Small Business Committee for advice and assistance.

It soon appeared necessary to establish a formal subcommittee on complaints of small businessmen, for so many of their complaints were of such a nature, in the formative days of the war effort, that they illustrated general problems affecting large segments of business which required over-all treatment, rather than handling on an individual basis. The subcommittee laid down a policy that it would not represent individual complainants against an agency or individual. It would not be the advocate of any individual cause. Its interest in complaints arose from and would be confined solely to what they indicated regarding a particular administrative policy or procedure.

The subcommittee has assisted hundreds of small concerns seeking to put their facilities into war production through the ramifications of the procurement services, to find the right place to present their claims and, in many cases, helping them to do so. The subcommittee's activity has also included complaints involving loans and other war financing.

By this activity the committee helped substantially to break down the encrusted procurement attitudes mentioned earlier in this report. Before acting on any complaint, the subcommittee carefully checked the facts. In many instances, adjustments were negotiated with the particular agency. In others, hearings were held, some open and formal, still others in executive session. The net result was to mobilize a great number of small facilities in the war effort that would otherwise never have been used. These efforts led to many administrative changes in procurement policy and procedure. Here are some outstanding examples:

The War Department abolished its practice of earmarking procurement orders from Washington to its regional officers after full disclosure of this practice at a series of public hearings. These hearings followed disclosures unearthed by the subcommittee after complaints had been made to it.

To handle the small-business complaints presented by the subcommittee, specific organizational changes were effected by several procurement services. The Navy established an Industry Cooperation Di-

vision and the Army a Small Business Unit, both charged with carrying out the policy of mobilizing small plants in war production in the day-to-day activities of their respective procurement services.

It was this Complaints Subcommittee which in the summer of 1943 conducted the inquiry previously mentioned into the administration of the Smaller War Plants Corporation leading to changes in top personnel and policy.

The subcommittee's work has not been confined to war production. Many complaints have come from small concerns in civilian production or in distribution which were adversely affected by war conditions. Here, particularly, the subcommittee has always sought to assess the impact of particular regulations, limitations, and other wartime orders upon the trade or industry involved and the war economy generally. This consideration has always been uppermost in its approach to the agency concerned regarding complaints in this field. Here, too, we make brief reference to a few outstanding examples of this activity:

The Office of Price Administration issued an order allocating fats to individual users. Small bakers deluged the subcommittee with protests that its terms would put them out of business. Following an executive hearing at which representatives of the industry and the Office of Price Administration fully discussed the problem, the order was so modified that small bakers could continue in operation.

A second example concerns small furniture manufacturers threatened by a drastic War Production Board limitation order. Again, after an executive hearing before the subcommittee the order was changed and the problem adjusted.

A third illustration is the case of a small publisher seriously affected by a drastic curtailment in newsprint. Following a series of conferences between the subcommittee and the then Chairman of the War Production Board, procedural changes were adopted which made for a more equalized distribution of newsprint.

Brief mention might be made also of the modifications obtained in two Office of Price Administration orders, i. e., in MPR 208, concerning work clothes and MPR 339, concerning rayon hosiery. These followed the complaints of small concerns adversely affected by the price regulations in the original orders.

The subcommittee rendered real service in having a substantial part of the knock-down wooden barge program allocated to the Smaller War Plants Corporation for distribution among small concerns. This followed an investigation and hearing by the subcommittee into the procurement practices of the transportation supply services of the Army as they affected this particular program.

Finally, we instance the case of the Bouleware memorandum which, in its original form, was regarded to be distinctly adverse to the interest of small business. Public hearings by the subcommittee were followed by a series of discussions with Messrs. Nelson, Patterson, and Forrestal. As a result, the memorandum was withdrawn, and several modifications were made in cancelation and cut-back procedure to remove the objections of the subcommittee and other small-business advocates.

A brief enumeration of other fields in which changes in policy and procedure were effected by the subcommittee to aid small business in-

clude: Tire discounts, dry groceries, warehousing problems, contract cancelation, tobacco pricing, used-car dealers, allocation of sugar to industrial users, and priority assistance for firms needing machinery and equipment.

CONSTRUCTION INDUSTRY

This great employer of manpower, and user of capital, raw and fabricated materials, is regarded by many as a major hope in developing an expanding post-war economy. It is essentially small business, both in number of enterprisers—contractors, builders, architects—and in many of the auxiliary businesses, which supply them with materials and funds.

The construction industry has been greatly and adversely affected by the impact of war. Over a third of all contract construction firms have already closed their doors, a fifth of the wholesalers upon whom they depend have gone out of business, and the suppliers of raw materials and manufactured goods used in construction have been diverted to war production, their peacetime organizations disbanded, and their plants so altered that they must be substantially rebuilt for the production of civilian goods.

The committee has received repeated requests from construction men to study their problems, determining their prospects, and recommending such action as may prove necessary to insure a high level of construction activity and the fullest opportunity for individual small enterprisers. Because much of what must be done, as partial conversion takes place and when war ceases, has to be examined now in time to provide legislative changes or administrative action essential to the revival and expansion of construction activity, the committee has undertaken a substantial study of that industry, leading eventually to hearings, reports, and recommendations to the Senate.

LIGHT-METALS INDUSTRY AND SMALL BUSINESS

Forward-looking businessmen, inventors, and economists have declared that we are on the verge of an age of light metals, rich in prospects of extending our industrial frontiers, favorably affecting our use of manpower, and developing the backward regions of the Nation. To no minor degree these depend on small-business enterprisers and their access to raw and fabricated materials.

Three-fourths of all labor employed in aluminum-magnesium production and fabrication are in fabrication. All but a few fabricators are relatively small businessmen. The retailers of much of their product are largely independent small proprietors. Yet the industry is shot through with problems of supply, transportation, pricing, which illustrate graphically many of the difficulties confronting American business as it is developing under wartime conditions and as it faces the future.

The Federal Government has entered the field of light metals to become the biggest producer of aluminum, and the backer of other light-metal developments. So great are the changes wrought by these war-impelled programs that a pre-war production of 300,000,000 pounds of aluminum has been increased to 2,000,000,000 pounds, practically all devoted to war uses.

The committee seeks, through studies now under way, and through hearings planned to begin late in February, to ascertain the present conditions of operations in light metals, the plans and policies of Government agencies and private businessmen concerning the future use of plant, equipment, and products, seeking to establish practices and enact necessary legislation which will insure the greatest use of light-metals products under conditions of fair competition which provide small independent enterprisers their rightful opportunity to participate.

ORGANIZATION OF SENATE SPECIAL COMMITTEE TO STUDY PROBLEMS OF AMERICAN SMALL BUSINESS

STRUCTURE

The Senate Small Business Committee consists of the following members: James E. Murray, Montana, chairman; Allen J. Ellender, Louisiana; James M. Mead, New York; Tom Stewart, Tennessee; Claude Pepper, Florida; James G. Scrugham, Nevada; _____ (vacancy); Arthur Capper, Kansas; Robert A. Taft, Ohio; George A. Wilson, Iowa; Kenneth S. Wherry, Nebraska; C. Douglass Buck, Delaware.

Besides investigations, studies, and hearings conducted by the full committee, there are certain matters undertaken by subcommittees appointed by the chairman. These subcommittees include:

Small Business Complaints: Senator Stewart, chairman, Senator Wherry.

Surplus War Property: Senator Stewart, chairman, Senator Taft, Senator Murray.

Mining and Minerals Industry: Senator Scrugham, chairman, Senator Buck.

Loans to Small Business: Senator Mead, chairman, Senator Scrugham, Senator Taft.

Transportation Problems of Small Business: Senator Stewart, chairman, Senator Ellender, Senator Wilson.

Foreign Trade Problems Affecting Small Business: Senator Pepper, chairman.

PERSONNEL

The personnel of the committee is small in comparison with the heavy program of work being carried. According to the volume of work under way, the staff has varied from 20 to 39 during the life of the committee. All except a small executive group are on loan from existing agencies of Government where their professional competency and normal work is in the field of their temporary assignment for the committee. The professional members of the staff on January 1, 1945, with their particular responsibilities, were as follows:

Executive staff.—Executive secretary, Dewey Anderson; staff studies director, Alfred J. Van Tassel; counsel, Arthur G. Silverman; chief of liaison, Allen G. Thurman; chief of information, Frederick W. Steckman; chief of administrative services, Grace F. Purdy.

Other staff members.—Scott K. Gray, Jr.; Agnes E. Crivella; Stella J. Groeper; Frances H. Lewis.

Secretarial and clerical.—Carol M. Fuller; Martha G. Ray; Olga Yelencsics; Emerald Devitt; Kathleen Kimball; Veva Weyand;

Elizabeth Lucas; Margie L. Strubel; Elsie Digges; Vernice O'Mul-lane; Joe Mattia; Douglas Sweet.

Subcommittee staffs.—Small Business Complaints, Allen G. Thurman, Evelyn Spicer; Surplus War Property, Brainard Cheney; Mining and Minerals Industry, W. C. Broadgate, H. J. Evans, George H. Soule, Jr.; Transportation Problems of Small Business, C. E. Childe; Foreign Trade Problems Affecting Small Business, F. Preston Forbes.

PUBLIC RELATIONS

In the years since the committee began operations 97 days of hearings have been held, the results appearing in 46 volumes. Other publications include 18 monographs, 8 reports, 5 committee prints, 3 subcommittee prints, and 4 public laws. The committee has published over 8,000 pages of printed matter. Limited seriously by paper shortage and rules concerning the number of copies available for distribution, nonetheless, the committee has distributed particular works to from 1,000 to 20,000 copies.

In addition, after exhaustion of the committee's supply, the Superintendent of Documents, Government Printing Office, Washington, D. C., has sold 45,541 volumes of hearings and reports at a price per volume ranging from 5 to 40 cents.

Requests for the committee's documents have come from far-flung places. The governments of many of our allies have found them useful in their efforts to afford the same protection to small business in their respective countries as was found necessary here.

Men and boys in the armed services have asked for these printings. Many indicated their requests were based on a desire to know what they might expect, as businessmen, when they should again be civilians. Others were students, requiring material that they might complete in strange places the theses which were begun at home.

Committee's print No. 5, titled, "Preparing Small Business for Post-war," issued July 14, 1944, may be cited as an example of public interest. It was possible, because of printing limitations, to distribute only a few thousand copies of this document. Yet it has had country-wide popularity. The press treated it generously, this being especially true of the trade press; and various information services reprinted it comprehensively in their periodical bulletins. Many thousands of writers and speakers found it a profitable source of facts and inspiration. The Superintendent of Documents, Government Printing Office, sold hundreds of copies of this print.

Another print for which there was great demand was the Surplus War Property Subcommittee's Buyer's Guide for Surplus Property, issued in December 1944. Approximately 15,000 copies have been distributed by the committee, on requests received from all parts of the country. Other printings, official and private, have run the editions of the document to more than 100,000 with the end not yet in sight.

ADMINISTRATION

In the approximately 4 years of the committee's existence it has used a total of \$140,000 from the Senate contingent fund. The work of the committee has expanded during the last 2 years

to meet in limited degree the demands of small business during the war effort, so that a considerable portion of this sum has been spent during this time. Judged by the volume of work done, the great savings to individual small businesses, and the substantial good accomplished for the economy as a whole, both in preventing unfair practices and in furthering desirable ends, the committee believes that this progress report fully justifies the expenditure of funds reported here.

The committee takes this opportunity of expressing its appreciation to its technical staff, the businessmen of the Nation, and the agencies whose cooperation has made possible the record set forth in this report.

We respectfully submit this to the Senate of the United States as a report of progress of its special committee to study the problems of American small business.

APPENDIX I

(By direction of the chairman, the following material is inserted at this place in the record.)

STATISTICAL TABLES ILLUSTRATING THE POST-WAR PROBLEMS OF SMALL BUSINESS

TABLE I.—ESTIMATED NUMBER OF ALL OPERATING BUSINESS FIRMS (SMALL AND LARGE) IN 1939 AND 1943

	1939	1943	Net change, 1941-43 ¹	
			Number	Percent decrease (-) or increase (+) since 1941
	(1)	(2)	(3)	(4)
All industries	3,316,700	2,861,600	-536,400	-15.8
Mining and quarrying.....	21,400	26,200	+3,800	+16.2
Contract construction.....	202,100	158,100	-85,700	-35.2
Manufacturing.....	214,200	228,600	+2,800	+1.2
Transportation, communication, and public utilities.....	207,700	188,000	-21,200	-10.1
Finance, insurance, real estate.....	286,400	261,200	-23,800	-8.4
Wholesale trade.....	144,800	114,800	-31,400	-21.5
Retail trade	1,601,400	1,330,400	-290,400	-17.9
General merchandise.....	36,800	34,500	-2,500	-6.8
General stores with food.....	37,700	29,700	-6,100	-17.0
Grocery, with, without meats.....	341,500	284,300	-62,500	-18.0
Meat and sea food.....	39,900	28,500	-10,200	-26.4
Other food stores.....	120,000	93,500	-20,100	-17.7
Liquor stores.....	15,300	13,800	-1,600	-10.4
Auto dealers (new, used).....	38,400	30,900	-10,100	-24.6
Other automotive.....	15,100	13,700	-3,000	-18.0
Apparel and accessories.....	73,000	66,700	-6,200	-8.5
Shoes.....	13,100	10,400	-2,800	-21.2
Home furnishings and equipment.....	29,500	28,100	-4,500	-13.8
Appliances and radio.....	15,000	10,300	-4,500	-30.4
Drugs.....	52,200	47,200	-4,400	-8.5
Hardware and farm implements.....	37,900	34,800	-3,900	-10.1
Lumber, building materials.....	31,300	27,200	-4,800	-15.0
Eating and drinking places.....	295,400	250,800	-57,000	-18.5
Filling stations.....	226,700	170,900	-56,700	-24.9
Other retail.....	182,700	155,100	-29,500	-16.0
Service industries	638,700	554,300	-89,500	-13.9
Hotels, boarding houses, etc.....	27,500	24,400	-4,700	-16.2
Laundries, dry cleaning, etc.....	86,700	92,900	+3,400	+3.5
Barber and beauty shops.....	203,400	183,400	-30,100	-14.1
Other personal services.....	93,000	73,100	-8,600	-10.5
Automobile repair.....	77,500	59,100	-18,500	-23.8
Amusements.....	44,200	38,000	-6,600	-8.5
Business services.....	106,400	83,400	-17,600	-17.4

¹ 1941 was the peak year for the total number of operating businesses.

Source: Report of Jesse H. Jones, Secretary, Department of Commerce, January 1945.

EXPLANATION OF TABLE I

Table I demonstrates the impact of war conditions on the number of operating businesses between 1939 and 1943. The number of businesses in each classification is presented for 1939 and 1943 in columns 1 and 2, respectively. Columns 3 and 4 present the change in the number of operating firms between 1941 and 1943; column 3 indicating the change in the number of such concerns and column 4 presenting the percent increase or decrease in the number of firms in each classification. (The data on the number of operating firms in 1941, the peak year, are not presented in this table.)

The decline of over 500,000 in the total number of businesses is attributable principally to the sharp drop in the number of new business ventures rather than to an increase in the number of failures. The decline in the number of businesses has been particularly sharp in the contract construction industry, grocery stores, eating and drinking places, filling stations, and barber and beauty shops. The number of concerns in manufacturing and in mining and quarrying has increased from 1941 to 1943.

TABLE II.—ESTIMATED NUMBER OF OPERATING BUSINESS FIRMS, BY INDUSTRIES, 1939-43

[In thousands]

Industry	Sept. 30, 1929	Sept. 30, 1933	Sept. 30, 1935	Sept. 30, 1939	Sept. 30, 1940	Sept. 30, 1941	Sept. 30, 1942	Sept. 30, 1943
Total, all industries.....	3,060.0	2,850.4	3,025.4	3,316.7	3,298.2	3,398.0	3,155.7	2,861.6
Mining and quarrying.....	22.8	21.4	22.3	21.4	22.0	23.4	25.9	26.2
Contract construction.....	235.6	191.0	180.9	202.1	218.4	243.8	220.2	158.1
Manufacturing.....	251.3	169.0	199.3	214.2	215.5	225.8	224.1	228.6
Food and kindred products.....				52.3	54.0	56.0	54.6	53.0
Leather, apparel, and textile products.....				28.4	26.8	27.1	27.0	26.1
Lumber and furniture.....				33.0	33.0	36.0	36.7	40.6
Paper, printing, and publishing.....				40.0	40.2	40.5	38.6	41.1
Chemicals and allied products.....				6.5	6.6	7.7	7.4	7.1
Rubber products.....				1.6	1.6	1.4	1.3	1.2
Stone, clay, and glass products.....				5.5	5.5	6.0	5.9	7.3
Iron and steel and their products.....				8.1	8.0	8.8	9.2	9.0
Nonferrous metals.....				5.6	5.7	6.2	6.1	5.9
Machinery and transportation equipment.....				12.3	12.2	13.3	14.5	15.3
Miscellaneous (including petroleum and tobacco).....				20.9	21.9	22.8	22.8	22.0
Transportation, communication, and public utilities.....	166.6	151.6	177.6	207.7	205.2	209.2	197.2	188.0
Wholesale trade.....	120.4	116.5	127.8	144.8	143.3	146.2	134.1	114.8
Retail trade.....	1,361.1	1,340.0	1,425.1	1,601.4	1,584.7	1,620.8	1,480.7	1,330.4
General merchandise.....				36.8	36.4	37.0	35.6	34.5
General stores with food.....				37.7	36.0	35.8	32.9	29.7
Grocery, with and without meats.....				341.5	339.5	346.8	321.5	284.3
Meat and sea food.....				39.9	38.4	38.7	34.3	28.5
Other food stores.....				120.0	112.3	113.6	103.8	93.5
Liquor.....				15.3	15.2	15.4	14.7	13.8
Automobile dealers (new and used).....				38.4	39.0	41.0	34.3	30.9
Other automotive.....				15.1	15.8	16.7	15.2	13.7
Apparel and accessories.....				73.0	72.5	72.9	69.9	66.7
Shoes.....				13.1	12.7	13.2	12.1	10.4
Home furnishings and equipment.....				29.5	30.6	32.6	31.0	28.1
Appliances and radio.....				15.0	14.8	14.8	12.7	10.3
Drugs.....				52.2	50.9	51.6	48.5	47.2
Hardware and farm implements.....				37.9	37.6	38.7	36.8	34.8
Lumber and building material.....				31.3	31.4	32.0	29.3	27.2
Eating and drinking places.....				295.4	291.6	307.8	277.5	250.8

TABLE II.—ESTIMATED NUMBER OF OPERATING BUSINESS FIRMS, BY INDUSTRIES, 1939-43—Continued

Industry	Sept. 30, 1929	Sept. 30, 1933	Sept. 30, 1935	Sept. 30, 1939	Sept. 30, 1940	Sept. 30, 1941	Sept. 30, 1942	Sept. 30, 1943
Retail trade—Continued.								
Filling stations.....				226.7	230.9	227.6	197.5	170.9
Other retail.....				182.7	179.1	184.6	173.1	155.1
Finance, insurance, and real estate.....	306.2	276.2	273.5	286.4	283.0	285.0	273.2	261.2
Service industries.....	596.0	584.0	618.9	638.7	626.1	643.8	600.2	554.3
Hotels, etc.....				27.5	28.7	29.1	26.6	24.4
Laundries, etc. ¹				86.7	90.3	96.3	95.0	92.9
Barber and beauty shops.....				203.4	201.0	213.5	199.8	183.4
Other personal services.....				93.0	86.7	81.7	75.1	73.1
Automobile repair.....				77.5	75.8	77.6	68.4	59.1
Amusements.....				44.2	44.8	44.6	42.8	38.0
Other business services ¹				106.4	98.8	101.0	92.5	83.4

¹ Based on fragmentary data.

Source: Survey of Current Business, Department of Commerce, May 1944.

EXPLANATION OF TABLE II

This important summary of the number of operating business firms at the end of the third quarter of each year, 1939 to 1943, has been assembled in this form for the first time by the Department of Commerce. The great loss in number of businesses from 1929 to 1933 indicates the toll taken by the depression. Thereafter the recovery was reflected in increased numbers of firms operating, until an all-time high was reached in 1941. Following Pearl Harbor, a rapid decrease in number of firms took place, attributed to one or more of the following causes: Scarcity of materials and merchandise, shortage of labor due to the draft, existence of new and more attractive employment opportunities in expanding war industries, tendency of war agencies to contract with large firms which squeezed out smaller ones, shift of emphasis away from some types of business into war production.

During the 2 years from Pearl Harbor to the end of 1943, 1,073,000 business enterprises, about 30 percent of all firms, closed their doors; 572,000 new businesses were organized; leaving a net decline of about 500,000 firms. In addition to this activity, 541,000 enterprises were reorganized or transferred to new owners.

Since 1941 a ranking of firms by industries shows that construction suffered the greatest relative decline, followed by wholesale and retail trade, services, transportation-communication-public utilities, and finance-insurance-real estate. The influence of the war-production effort increased the number of firms in manufacturing and mining.

TABLE III.—ESTIMATED NUMBER OF OPERATING BUSINESS FIRMS, NEW BUSINESSES, DISCONTINUED BUSINESSES, AND BUSINESS TRANSFERS, 1939-43

[In thousands]

Year	Total number of operating firms at beginning of period ¹	Net change in number of operating firms		New businesses		Discontinued businesses		Business transfers	
		Number	Percent of total	Number	Percent of total	Number	Percent of total	Number	Percent of total
1940.....	3,307.4	-3.2	-0.10	431.2	13.04	434.4	13.13	240.5	7.27
1941.....	3,304.2	+36.8	-1.11	516.9	15.64	480.1	14.53	320.2	9.69
1942.....	3,341.0	-269.7	-8.07	408.3	12.22	678.0	20.29	291.6	8.73
1943.....	3,071.3	-231.4	-7.53	163.4	5.32	394.8	12.85	249.5	8.12

¹ For source: Survey of Current Business, Department of Commerce, May 1944.

EXPLANATION OF TABLE III

This table indicates the nature of business activity as presented by various types of changes in business. New businesses are being opened all the time, old ones closing, some newly opened businesses fold up, businesses are discontinued, and businesses are transferred from one owner to another. From 1941 to 1942, 408,300 new businesses were established, but 678,000 were discontinued, and the ownership of 291,600 was transferred. The net effect was a decline in number of business firms of 269,700, or 8 percent of all enterprises. The extent of activity in the business world is indicated by the percentages in the table. Using the same year, 1942, for example, slightly more than 40 percent of all businesses were either new that year, or discontinued, or transferred in ownership.

TABLE IV.—PERCENT OF RETAIL FIRMS WITH LESS THAN 4 EMPLOYEES, AND PERCENTAGE CHANGE IN NUMBER OF FIRMS AND SALES, BY KINDS OF BUSINESS

Kind of business	Percent of firms with less than 4 employees, 1939	Percent change in number of firms, 1939-43	Percent change in sales, 1939-43
Grocery, with and without meats	97	-17	+68
Filling stations	95	-25	-11
Meats and seafood	92	-30	+64
Other food stores	92	-22	
Liquor	92	-10	+130
General stores with food	89	-21	+36
Other retail	88	-15	+85
Appliances and radios	87	-31	-6
Shoes	86	-21	+66
Hardware and farm implements	84	-9	+34
Eating and drinking places	81	-15	+127
Apparel and accessories	80	-9	+100
General merchandise	77	-6	+56
Drugs	76	-10	+73
Other automotive	72	-9	+38
Home furnishings and equipment	69	-5	+58
Lumber and building material	65	-13	+8
Automobile dealers (new and used)	50	-20	-65

Source: Survey of Current Business, Department of Commerce, May 1944.

EXPLANATION OF TABLE IV

This table reveals the important fact that in retail trade survival is definitely linked with size. The notable exceptions are automobile dealers and building-material dealers. Here the small gain in sales in one instance and the sharp decline in the other indicate the role played by the scarcity of merchandise in killing off small firms. With food stores, on the other hand, dollar-sales volume increased but the number of small firms declined, suggesting that other factors were responsible.

TABLE V.—PERCENT OF MANUFACTURING FIRMS WITH LESS THAN 4 EMPLOYEES AND PERCENTAGE CHANGE IN NUMBER OF FIRMS, WAR AND NONWAR INDUSTRIES

Industry	Percent of firms with less than 4 employ-ees, 1939	Percent change in number of firms, 1939-43
"War" industries:		
Lumber and furniture ¹	52	+23
Rubber products.....	48	-26
Nonferrous metals.....	38	+5
Chemicals and allied products.....	33	+11
Machinery and transportation equipment.....	22	+24
Iron, steel, and their products.....	8	+11
"Nonwar" industries:		
Miscellaneous (including petroleum and tobacco).....	65	+5
Paper, printing, and publishing.....	62	+3
Food and kindred products.....	61	+1
Stone, clay, and glass products.....	23	-33
Apparel, leather, and textile products.....	17	+8

¹ Over two-thirds of the firms in this group are in lumber.

Source: Survey of Current Business, Department of Commerce, May 1944.

EXPLANATION OF TABLE V.

In the war industries certain groups of small firms actually increased in numbers, as compared with nonwar industries. But even here the development is uneven. While firms employing less than four workers in lumber were 52 percent of all lumber firms in 1939, the need for lumber became so acute that the number of such small firms operating in 1943 increased 23 percent. On the other hand, in rubber products, almost half of all manufacturers in 1939 employed less than four workers, but their number had declined 26 percent by 1943. In non-war production, the most noticeable shift among small manufacturers was a reduction of a third in small stone, clay, and glass products firms. None of the other nonwar industry firms showed any substantial gains.

TABLE VI.—DISTRIBUTION OF THE WAR PLANT BY SIZE

Size of plant (cost)	Number of projects (in percent of total)	Cost of projects (in percent of total)	
		In each group	Cumulative
\$25,000 to \$100,000.....	14.7	0.2	100.0
\$100,000 to \$1,000,000.....	43.1	3.6	99.8
\$1,000,000 to \$2,500,000.....	14.5	5.0	95.2
\$2,500,000 to \$10,000,000.....	17.2	18.8	91.2
\$10,000,000 to \$50,000,000.....	8.8	41.3	72.4
\$50,000,000 to \$100,000,000.....	1.3	19.3	31.1
\$100,000,000 and up.....	.4	11.8	11.8
Total.....	100.0	100.0	-----

Source: Kaplan, A. D. H., The Liquidation of War Production, p. 101. (Publisher, McGraw-Hill Book Co., Inc.)

EXPLANATION OF TABLE VI

This table presents data concerning Government-owned war plants by sizes of plants. While only 0.2 percent of the total value of all plants is in projects of under \$100,000, 14.7 percent of all Government-built plants are in this class. At the other extreme 11.8 percent of the cost of all Government plants is in sums in excess of \$1,000,000; yet such projects make up only 0.4 percent of all projects. The author of the table remarks that "10 projects, or less than 0.40 percent of the total number, represent an investment of 1.75 billion dollars—more than 3 times the value of all the projects under \$1,000,000. The 150 corporations operating the largest holdings of Government facilities have 11.5 billion dollars, or better than 77 percent of the total Government war plant. If we include only those companies which hold more than \$75,000,000 each of Government plants, we get 31 corporations (with their subsidiaries) whose holdings total 7.5 billions, or an average of \$240,000,000 per corporation."

TABLE VII.—WAR INDUSTRIAL FACILITIES, CONSTRUCTION, AND EQUIPMENT

[In thousands of dollars]

Type of product	Estimated cost		
	Construc- tion	Equip- ment	Other and not re- ported
Manufacturing and mining facilities:			
Ordnance:			
Explosives, ammunition assembling, and loading.....	\$1,805,127	\$764,979	\$298,891
Ammunition, shells, bombs, etc.....	380,044	763,274	90,835
Guns and combat vehicles.....	268,801	1,097,035	74,330
Total.....	2,453,972	2,625,288	464,056
Aircraft—engines, parts, accessories.....	1,187,950	2,039,496	168,411
Ship construction and repair.....	426,562	335,925	1,538,910
Iron and steel and its products.....	386,189	1,052,290	511,484
Nonferrous metals and their products, total.....	416,004	775,621	338,740
Machine tools and other metalworking equipment.....	70,391	214,445	13,405
Machinery and electrical equipment and appliances.....	175,793	511,737	88,516
Chemicals (including synthetic rubber).....	408,350	827,063	365,779
Products of petroleum and coal.....	79,141	509,308	218,657
Miscellaneous manufacturing.....	162,516	276,157	154,358
Mining of metal ores and minerals.....	65,905	146,472	111,224
Total.....	5,832,773	9,313,802	3,973,540
Industrial service facilities, total.....	206,066	1,704,075	872,779
Total.....	6,038,839	11,017,877	4,846,310

Source: Kaplan, A. D. H., Liquidation of War Production, p. 95. (Publisher, McGraw-Hill Book Co., Inc.)

EXPLANATION OF TABLE VII

This table gives the estimated costs of war-industrial facilities; both construction and equipment authorized by the Government during the war period. Here is an indication of the amount of equipment and plant which must be fitted into the post-war economy. Equipment accounts for 11 billion of the estimated 21,900 million dollars.

TABLE VIII.—WAR INDUSTRIAL FACILITIES FINANCED WITH PUBLIC AND PRIVATE FUNDS
[In thousands of dollars]

Type of product	Estimated cost		
	Public	Private	Total
Manufacturing and mining facilities:			
Ordnance:			
Explosives, ammunition assembling, and loading	\$2, 848, 346	\$20, 651	\$2, 868, 997
Ammunition, shells, bombs, etc.	1, 093, 138	141, 015	1, 234, 153
Guns and combat vehicles	1, 225, 370	214, 796	1, 440, 166
Total	5, 166, 854	376, 462	5, 543, 316
Aircraft—engines, parts, accessories	3, 113, 768	282, 089	3, 395, 857
Ship construction and repair	2, 128, 465	172, 932	2, 301, 397
Iron and steel and its products	1, 068, 866	881, 097	1, 949, 963
Nonferrous metals and their products, total	1, 167, 568	362, 737	1, 530, 305
Machine tools and other metalworking equipment	139, 144	159, 097	298, 241
Machinery and electrical equipment and appliances	485, 846	290, 200	776, 046
Chemicals (including synthetic rubber)	1, 188, 579	412, 613	1, 601, 192
Products of petroleum and coal	211, 465	595, 641	807, 106
Miscellaneous manufacturing	239, 112	353, 919	593, 031
Mining of metal ores and minerals	147, 424	176, 177	323, 601
Total	15, 057, 091	4, 063, 024	19, 120, 115
Industrial service facilities:			
Gas, light, heat, and power	472, 767	794, 655	1, 267, 422
Transportation	191, 309	1, 188, 885	1, 380, 194
Communication	3, 975	131, 320	135, 295
Total	668, 051	2, 114, 860	2, 782, 911
Grand total	15, 725, 142	6, 177, 884	21, 903, 026

Source: Kaplan, A. D. H., *The Liquidation of War Production*, p. 93. (Publisher, McGraw-Hill Book Co., Inc.)

EXPLANATION OF TABLE VIII

This companion table to the preceding one indicates the cost of war-industrial facilities to the Government and to private corporations. The public investment is substantially greater than that made by private concerns. The table suggests the nature of the post-war liquidation problem.

TABLE IX.—RECONSTRUCTION FINANCE CORPORATION—NUMBER OF BUSINESS LOANS AUTHORIZED AND DISBURSED CUMULATIVE AS OF FEB. 29, 1940, AND MAR. 31, 1944, BY SIZE OF LOAN

Size of loan	Feb. 29, 1940 ¹				Mar. 31, 1944 ²		
	Authorized		Disbursed		Authorized		Percent increase, 1940 to 1944
	Number	Percent	Number	Percent	Number	Percent	
Under \$5,000	3, 332	36. 6	2, 462	40. 5	6, 738	32. 3	102. 2
\$5,001 to \$10,000	1, 412	15. 5	874	14. 4	3, 262	15. 6	131. 0
\$10,001 to \$25,000	1, 739	19. 1	1, 095	18. 0	4, 331	20. 7	149. 1
\$25,001 to \$50,000	1, 032	11. 4	605	9. 9	2, 599	12. 5	151. 8
\$50,001 to \$100,000	786	8. 6	502	8. 3	1, 964	9. 4	149. 9
\$100,001 to \$200,000	421	4. 6	282	4. 6	946	4. 5	124. 7
\$200,001 to \$500,000	278	3. 1	193	3. 2	627	3. 0	125. 5
\$500,001 to \$1,000,000	63	. 7	44	. 7	187	. 9	196. 8
Over \$1,000,000	40	. 4	26	. 4	228	1. 1	470. 0
Total	9, 103	100. 0	6, 083	100. 0	20, 882	100. 0	129. 4

¹ Temporary National Economic Committee Monograph No. 17, *Problems of Small Business*, p. 300.

² Reconstruction Finance Corporation: Number and distribution of disbursements to Mar. 31, 1944, not available.

EXPLANATION OF TABLE IX

Table IX gives certain data concerning the number of loans in the pre-war and war periods. The total number of loans reported for the pre-war period was 9,103. The greatly increased program of the war period brought the total of authorized loans to 20,882 by March 1944. Its increase during the 4 years was 129 percent. The number of authorized loans \$50,000 and smaller was 82.6 percent of all authorized loans reported in February 1940. The number reported March 1944 was 81.1 percent. In the pre-war period slightly more than 1 percent of all loans were for sums of \$500,000 or more. Approximately the same ratio has held for the number of wartime loans in this bracket.

TABLE X.—RECONSTRUCTION FINANCE CORPORATION—AMOUNT OF BUSINESS LOANS AUTHORIZED AND DISBURSED CUMULATIVE AS OF FEB. 29, 1940, AND MAR. 31, 1944, BY SIZE OF LOAN

[Percentages and millions of dollars]

Size of loan	As of Feb. 29, 1940 ¹				As of Mar. 31, 1944 ²				Percentages changes over 1940	
	Authorized		Disbursed (actual)		Authorized		Disbursed (estimated)		Authorizations	Disbursements
	Value	Per-cent	Value	Per-cent	Value	Per-cent	Value	Per-cent		
	<i>Dollars</i>		<i>Dollars</i>		<i>Dollars</i>		<i>Dollars</i>			
Under \$5,000.....	7.5	1.6	4.9	1.7	17.2	0.7	6.9	0.7	129.3	40.8
\$5,001 to \$10,000.....	11.5	2.5	7.0	2.4	25.7	1.0	10.3	1.0	123.5	47.1
\$10,001 to \$25,000.....	32.1	6.9	19.9	6.8	75.6	3.0	30.5	3.0	135.5	53.3
\$25,001 to \$50,000.....	41.1	8.8	23.8	8.1	98.4	3.9	39.6	3.9	139.4	66.4
\$50,001 to \$100,000.....	61.7	13.2	38.3	13.0	149.8	5.9	60.3	5.9	142.8	57.4
\$100,001 to \$200,000.....	64.4	13.8	42.5	14.5	140.7	5.5	56.7	5.5	118.5	33.4
\$200,001 to \$500,000.....	90.7	19.5	62.1	21.1	202.3	7.9	81.4	7.9	123.0	31.1
\$500,001 to \$1,000,000.....	47.3	10.1	31.9	10.8	139.6	5.5	56.2	5.5	195.1	70.2
Over \$1,000,000.....	109.9	23.6	63.4	21.6	1,691.0	66.6	680.9	66.6	1,438.7	974.0
	466.2	100.0	293.8	100.0	2,540.3	100.0	1,022.8	100.0	444.9	248.1

¹ Temporary National Economic Committee Monograph No. 17, Problems of Small Business, p. 300.

² Reconstruction Finance Corporation summary of authorizations. Disbursements are estimated on the basis of total disbursement figure of \$1,022,800,000 furnished by Reconstruction Finance Corporation, by assuming a distribution parallel to that of authorizations.

EXPLANATION OF TABLE X

In February 1940 the loans authorized by the Reconstruction Finance Corporation totaled 466.2 million dollars. Money actually disbursed, however, totals 293.8 million dollars. The greatly increased participation of Reconstruction Finance Corporation in the war effort raised the value of loans authorized as of March 1944, to 2,540.3 million dollars and the disbursements to 1,022.8 million dollars. In the pre-war period, 63 percent of authorized loans were disbursed, while by March 1944, 40 percent of loans have been disbursed. In the pre-war period slightly less than a fifth of loans were in sums of \$50,000 or less; approximately a third were in sums above \$500,000. The situation changed greatly for the periods since 1940 as recorded in March 1944. Then only 8.6 percent of loans and disbursements were in sums \$50,000 and below, while 72 percent were in amounts

\$500,000 and over. This striking emphasis on wartime loans primarily in large amounts is shown in the last two columns of the table. While the percentage does not graduate uniformly with the increased sizes of loans, the greatest gain in amount loaned was made in those loans above \$500,000. In fact, in the percentages, loans to February 1940, those over \$1,000,000 were 23 percent of all loans authorized, whereas, in March 1944, they constituted 66 percent of all authorized loans.

TABLE XI.—SIZE OF ALL LOANS AND COMMITMENTS AUTHORIZED TO BUSINESS ENTERPRISES BY RECONSTRUCTION FINANCE CORPORATION (EXCLUDES LOANS AND COMMITMENTS TO SUBSIDIARIES OF RECONSTRUCTION FINANCE CORPORATION, DEFENSE HOMES, AND GREAT BRITAIN), THROUGH AUG. 31, 1944

	Number	Percent of total number	Value	Percent of total value
\$5,000 and under.....	6,871	31.8	\$17,588,440.29	0.7
\$5,001 to \$10,000.....	3,367	15.6	26,472,512.04	1.0
\$10,001 to \$25,000.....	4,462	20.7	77,882,835.77	2.9
\$25,001 to \$50,000.....	2,701	12.5	102,329,096.02	3.8
\$50,001 to \$100,000.....	2,063	9.6	156,921,782.56	5.9
\$100,001 to \$200,000.....	1,002	4.6	149,182,989.43	5.6
\$200,001 to \$500,000.....	673	3.1	217,540,560.12	8.2
\$500,001 to \$1,000,000.....	205	1.0	151,765,616.47	5.7
Over \$1,000,000.....	245	1.1	1,762,797,564.22	66.2
Total.....	21,589	100.0	2,662,481,396.92	100.0

Published by Reconstruction Finance Corporation Sept. 14, 1944.

EXPLANATION OF TABLE XI

This table indicates that while 80.6 percent of all Reconstruction Finance Corporation loans and commitments through August 1944 were in sums of \$50,000 or less, only 8.4 percent of the total value represented by loans and commitments were in loans of these sizes. On the other hand, loans in excess of \$500,000 were only 2.1 percent of all loans made, but 71.9 percent of all money loaned was in sums in excess of \$500,000. In fact, two-thirds of all the money loaned by the Reconstruction Finance Corporation was in individual sums of more than \$1,000,000.

TABLE XII.—CUMULATIVE PERCENTAGE DISTRIBUTION OF FUNDS BORROWED AT MEMBER BANKS AT VARIOUS RATES OF INTEREST, BY ASSET SIZE OF BORROWER, APR. 16 TO MAY 15, 1942¹

Rate of interest (percent)	Total, all borrowers	Assets of borrower—			
		Under \$50,000	\$50,000 to \$500,000	\$500,000 to \$5,000,000	Over \$5,000,000
Total.....	100.0	100.0	100.0	100.0	100.0
Under 1.....	1.2	.1	.1	.2	3.8
Under 2.....	25.6	.8	2.1	18.0	67.3
Under 3.....	42.0	2.1	8.5	42.7	90.0
Under 4.....	57.2	7.9	24.7	68.2	95.6
Under 5.....	73.8	20.5	52.7	87.4	98.6
Under 6.....	86.1	41.6	77.0	96.1	99.5
Under 7.....	98.2	91.7	97.8	99.6	99.7
Under 8.....	98.8	94.4	98.7	99.7	99.7
Over 8.....	99.6	100.0	99.5	99.9	99.7
Not stated.....	99.9	100.3	99.8	100.0	100.0

¹ Percentages are not adjusted to equal 100.

EXPLANATION OF TABLE XII

Table XII presents the cumulative percentage distribution of the funds borrowed at member banks of the Federal Reserve System at various rates of interest, classified according to the size of the borrower as measured by total assets. For each size class of borrower, the percentage of loans made by member banks to that size class is totaled cumulatively for various rates of interest from under 1 percent to over 8 percent.

Over 90 percent of borrowers in the smallest-size class paid over 4 percent interest on the loans they received whereas 96 percent of the largest borrowers paid less than 4 percent. Over two-thirds of the largest borrowers paid less than 2 percent interest on their loans.

Source: Data received from Banking Studies Section, Federal Reserve Board, not published as such, but used as the basis for a bar chart in Federal Reserve Bulletin, November 1942, page 1090, appearing in a preliminary report on the financial problems of small business by the Bureau of Labor Statistics, United States Department of Labor.

TABLE XIII.—WORKING CAPITAL RATIO FOR 125 MANUFACTURERS OF METAL PRODUCTS IN 1943

Item	Net worth up to \$1,000,000	Net worth less than \$100,000	Net worth \$100,000 to \$250,000	Net worth \$250,000 to \$500,000	Net worth \$500,000 to \$750,000	Net worth \$750,000 to \$1,000,000
Number of corporations.....	125	25	25	25	25	25
Ratios:						
Current assets to current liabilities.....	1.17	1.07	1.19	1.29	1.21	1.14
Current assets to current liabilities ¹	1.26	1.12	1.32	1.47	1.33	1.19
Cash and securities to Federal income taxes.....	.86	.75	.88	.98	.71	.93
Cash and securities to current liabilities.....	.28	.27	.37	.37	.26	.26
Percentages:						
Working capital of inventory.....	32.9	13.4	46.0	58.3	44.6	24.0
Working capital of current liabilities.....	17.2	7.3	18.8	29.3	20.9	13.6
Federal taxes of current liabilities.....	32.8	36.5	42.1	39.2	36.8	28.4
Cash, receivables, and securities of current liabilities.....	63.0	52.4	77.2	77.4	74.0	53.6

¹ Federal income taxes deducted from both current assets and current liabilities.

Source: The Conference Board Business Record, National Industrial Conference Board, Inc., New York, N. Y., November 1944.

EXPLANATION OF TABLE XIII

Table XIII presents the results of a survey by the National Industrial Conference Board, Inc., of New York, of the capital situation in 1943 of 125 manufacturers of metal products. Data are presented for corporations in five classifications according to size as measured by net worth. All of the 125 corporations have a net worth of less than \$100,000,000. The data for each of these categories consists of the ratios of various current assets to various current liabilities. These ratios measure the result of the division of the current assets by current liabilities. In addition, the percent represented by types of current

assets of the appropriate figure for inventories or for current liabilities is presented. The current position of the smallest group of companies is the poorest of any of the classifications although the current position of all is below that usually regarded as satisfactory by investment houses. The group of smallest concerns are in a particularly weak working capital position; those with net worth less than \$100,000 have a ratio of 1.07 of current assets to current liabilities.

TABLE XIV.—EXPENDITURES FOR GROSS NATIONAL PRODUCT

[In billions of current dollars—annual rates—calendar year]¹

	1929	1930	1931	1932	1933	1934	1935	1936
Consumers:								
Durable goods (except housing).....	9.9	8.1	6.3	4.2	3.4	4.8	5.7	6.7
Nondurable goods.....	35.6	32.5	27.9	22.0	21.6	25.1	27.4	31.8
Services (excluding rent) ²	20.2	24.3	20.0	16.8	13.2	17.8	14.9	16.3
Rent.....	5.1								4.2	4.2
Subtotal, consumers.....	70.8	64.9	54.2	43.0	42.4	47.7	52.2	59.1
Business (capital outlays):								
Construction:								
Residential.....	3.6	1.8	1.5	.6	.4	.6	.9	1.4
Other.....	4.7	3.8	2.3	1.2	.9	1.0	1.2	1.5
Producers, durables.....	7.3	6.0	4.2	2.4	2.1	3.1	4.0	5.2
Net increase on inventories.....	1.6	— .3	— 2.0	— 2.3	— .7	— .1	.2	2.2
Net foreign investment ⁴.....	.4	.8	.4	.3	.6	.7	.4	— .3
Subtotal.....	17.6	12.1	6.4	2.2	3.3	5.3	6.7	10.0
State and local government (adjusted).....	8.3	8.8	8.7	7.8	6.5	5.9	8.0	8.0
Federal Government (adjusted):								
War.....	-----	-----	-----	-----	-----	-----	-----	-----
Nonwar.....	-----	-----	-----	-----	-----	-----	-----	-----
Subtotal, Federal Government.....	2.7	2.4	2.8	2.4	2.6	4.9	3.9	4.6
Total expenditures for gross national product.....	99.4	88.2	72.1	55.4	54.8	63.8	70.8	81.7
Addenda: Net national income.....	83.3	68.9	54.5	40.0	42.3	49.5	55.7	64.9
	1937	1938	1939	1940	1941	1942	1943	1944 ²
Consumers:								
Durable goods (except housing).....	7.6	6.0	6.4	7.4	9.1	6.4	6.5	6.3
Nondurable goods.....	32.8	30.3	32.6	34.4	40.1	48.0	55.2	59.0
Services (excluding rent) ³	17.5	17.4	17.7	18.8	20.1	22.0	23.4	24.3
Rent.....	4.6	4.8	5.0	5.1	5.3	5.6	5.8	6.0
Subtotal, consumers.....	62.5	58.5	61.7	65.7	74.6	82.0	91.0	95.5
Business (capital outlays):								
Construction:								
Residential.....	1.7	1.8	2.0	2.4	2.9	1.5	.8	.8
Other.....	2.0	1.5	1.6	2.0	2.5	1.5	.8	1.0
Producers, durables.....	6.3	4.5	5.5	6.9	8.9	5.1	3.1	4.0
Net increase on inventories.....	1.1	— 1.3	.9	1.8	3.5	— .5	— .5	— .6
Net foreign investment ⁴.....	.5	1.2	1.0	1.8	1.2	— .1	— 2.1	— 3.0
Subtotal.....	11.6	7.7	10.9	14.8	19.0	7.5	2.2	2.0

¹ Detail will not necessarily add to totals because of rounding.

² Annual rate, based on second quarter.

³ Includes rent for 1930-32 and 1934.

⁴ Estimate includes net export of goods and services, net export of gold and silver, and net change in monetary stock.

TABLE XIV.—EXPENDITURES FOR GROSS NATIONAL PRODUCT—Continued

	1937	1938	1939	1940	1941	1942	1943	1944
State and local government (adjusted).....	7.5	7.6	8.1	7.9	7.8	7.3	7.2	7.2
Federal Government (adjusted):								
War.....			1.4	2.8	12.8	50.3	81.3	86.4
Nonwar.....			6.5	6.1	5.3	5.0	4.9	5.5
Subtotal, Federal Government.....	6.1	6.8	7.9	8.8	18.1	55.4	86.2	91.6
Total expenditures for gross national product.....	87.7	80.6	88.6	97.1	119.6	152.1	186.5	196.4
Addenda: Net national income.....	71.5	64.2	70.8	77.6	96.9	121.6	147.9	⁵ 155.0

⁵ Annual rate, based on first and second quarters.

Source: Department of Commerce, Dec. 1, 1944.

EXPLANATION OF TABLE XIV

The table offers valuable information concerning income and income distribution by years from 1929 through 1944. The concept "gross national product," which is receiving such increasing usage, is a measure of the Nation's total economic activity. It is composed of the various types of investments and other expenditures making up a total production of goods and services. When taxes and reserves are subtracted from this gross national product the remainder is the national income. The estimated gross national product for 1944 is \$196,400,000,000. This is composed of 95.5 billion dollars consumers' expenditures, 2 billion dollars capital outlays of business, 7.2 billion dollars expenditures by States and local governments, and 91.6 billion dollars Federal Government expenditures. The net national income for 1944 is estimated to be \$155,000,000,000. These are the levels of gross national product and net national income reached in attaining the greatest production level in the Nation's history, requiring the full use of our manpower and resources.

TABLE XV.—EMPLOYMENT BY INDUSTRY, 1940 AND 1944

[Employment figures in millions]

Classification	August 1940		August 1944	
	Number	Percent	Number	Percent
Employment.....	48.6	100.0	64.9	100.0
Armed services.....	.5	1.0	11.7	18.0
Civilian.....	48.1	99.0	53.2	82.0
Agricultural.....	10.0	21.0	8.6	13.0
Nonagricultural.....	38.1	78.0	44.6	69.0
Durable goods.....	4.9	10.0	9.6	15.0
Nondurable goods.....	5.9	12.0	6.4	10.0
Mining.....	.9	2.0	.8	1.0
Trade, services, and finance.....	11.2	24.0	11.5	18.0
Transportation and public utilities.....	3.1	6.0	3.8	6.0
Construction.....	2.0	4.0	.7	1.0
Proprietors, self-employed, etc. ¹	6.0	12.0	5.9	9.0
Government.....	4.1	8.0	5.9	9.0

¹ A residual figure including proprietors, own-account workers and domestic servants.

Source: 1940 and 1944 figures, Bureau of Labor Statistics.

EXPLANATION OF TABLE XV

Table XV is an estimate of employment by industries in the pre-war year 1940 and in the war year 1944. Data supporting the table are necessarily inadequate, hence the figures are suggestive only. Using accepted census classification by industries, the table displays the number and percentage employed in August 1940, as compared with August 1944. The strikingly different patterns of employment required by peacetime activities as compared with the war period illustrates some of the problems of manpower dislocation which lie ahead. The number in the labor force increased from 48.6 millions in 1940 to 64.9 millions in 1944. The armed services account for more than 11,000,000 of this increased labor force. But the civilian population also gained more than 5,000,000 additional workers. Agriculture lost heavily in comparison with nonagriculture pursuits. The durable-goods industries upon which so much of the war effort depends, increased substantially in numbers of workers.

TABLE XVI.—WARTIME OCCUPATIONAL SHIFTS

Occupational group	March 1940 ¹	October 1944 ²	Net change	
			Number	Percent
Total employed.....	45,166,000	52,240,000	+7,074,000	+15.7
Professional and semiprofessional persons.....	³ 3,345,000	3,100,000	-245,000	-7.3
Farmers and farm managers.....	5,144,000	4,640,000	-504,000	-9.8
Proprietors, managers, officials (except farm).....	3,749,000	4,400,000	+651,000	+17.4
Clerical and kindred workers.....	4,612,000	6,680,000	+2,068,000	+44.8
Sales workers.....	2,905,000	2,480,000	-425,000	-14.6
Craftsmen, foremen.....	³ 5,056,000	7,130,000	+2,074,000	+41.0
Operatives and kindred workers.....	8,252,000	11,390,000	+3,338,000	+40.5
Service workers.....	³ 5,570,000	5,500,000	-70,000	-1.3
Farm laborers, foremen.....	3,090,000	3,970,000	+880,000	+28.5
Laborers, except farm.....	3,064,000	2,750,000	-314,000	-10.2
Occupation not reported.....	379,000			

¹ Census of Population, Series P16—No. 2 (rounded).
² Unpublished data from Monthly Report on the Labor Force.
³ Includes armed forces stationed in United States in 1940. It is estimated that approximately 216,000 of the 290,000 stationed in the United States were enlisted men classified as Service Workers.

Source: Bureau of the Census, Washington, D. C., 1944.

EXPLANATION OF TABLE XVI

This table indicates the occupational rather than the industrial shifts in employment. In the last two columns the net change is shown in number and percentage in October 1944, as compared with the pre-war date of March 1940. While total employment increased 15 percent certain occupational groups actually declined while others made substantial advances. The greatest percentage gains were in clerks and kindred workers, craftsmen, foremen, and operatives. The greatest percentage lost was sustained by sales people, manual laborers, except farm labor, farmers, and farm managers. These figures give a rough approximation of the drastic changes which have occurred in the occupational world.

APPENDIX II

PUBLICATIONS ISSUED BY THE SENATE SPECIAL COMMITTEE ON SMALL BUSINESS

Pursuant to S. Res. 28 (79th Cong.) extending S. Res. 298 (76th Cong.)

MONOGRAPHS

- No. 1. Small Business Problems of the Nursery Industry.¹
- No. 2. The Supreme Court in Relation to Small Business and the Sherman Act.
- No. 3. Small Business Problems of the Tire and Rubber Manufacturers and Retailers.
- No. 4. Small Business Bibliography.
- No. 5. Small Business Bibliography. Chain Store Reference 1920-39 (appendix to Committee Print No. 4).
- No. 6. Small Business and Defense.¹
- No. 7. Small Business Research and Education.²
- No. 8. Small Business Loans and Risk Capital.
- No. 9. Digest of Bills to Aid Small Business Introduced Into Congress, 1939-41.
- No. 10. Survey of Private Automobile Passenger Car Needs of Major War Plant Areas.
- No. 11. Record Keeping for Small Stores.¹
- No. 12. Pooling for Production.
- No. 13. Small Retailers Face the War.⁴
- No. 14. The Fate of Small Business in Nazi Germany.⁵
- No. 15. Small Business: Access to Capital.²
- No. 16. The Federal Agencies and Small Business.⁴
- No. 17. Small Business Wants Old-Age Security.²
- No. 18. Effect of the War on British Retail Trade.⁴

HEARINGS

- Part 1. Small Business and the War Program; December 15, 16, 17, 18, 1941.³
- Part 2. Tire Dealer and Rebuilder Problems; March 3, 4, 5, 6, 1942.
- Part 3. Conference of Retail Automobile Dealers; January 9, 10, 1942.
- Part 4. Small Business Conference, Bozeman, Mont.; September 21, 1942.
- Part 5. Small Business Conference, Miles City, Mont.; September 14, 1942.
- Part 6. Small Business Conference, Helena, Mont.; September 17, 1942.
- Part 7. Small Business Conference, Billings, Mont.; September 18, 1942.¹
- Part 8. Economic Background and Tendencies; September 29, 1942.
- Part 9. Adjustment of Obligations—Long-Term Capital—Public Morale—Independent Packers—Food Distribution; September 30, October 1, 6, 7, 1942.
- Part 10. Smaller Concerns in War Production: I; October 13, 14, 15, 1942.
- Part 11. Smaller Concerns in War Production: II; December 3, 4, 7, 1942.
- Part 12. Smaller Concerns in War Production: III; December 8, 15, 16, 1942.
- Part 13. Critical, Strategic, and Essential Materials; January 13, 1943.⁶
- Part 14. Problems of Small Distributors; January 19, 20, 21, 1943.
- Part 15. Long-Term and Equity Capital; February 23, 24, 1943.
- Part 16. Smaller Concerns in War Production: IV; March 4, 1943.
- Part 17. Effect of Exchange Services on Retail Trade; March 16, 17, 1943.²

¹ Copies no longer available.

² Copies may be purchased from the Superintendent of Documents, Government Printing Office, Washington, D. C., 10 cents.

³ Copies may be purchased from the Superintendent of Documents, Government Printing Office, Washington, D. C., 30 cents.

⁴ Copies may be purchased from the Superintendent of Documents, Government Printing Office, Washington, D. C., 15 cents.

⁵ Copies may be purchased from the Superintendent of Documents, Government Printing Office, Washington, D. C., 20 cents.

⁶ Copies may be purchased from the Superintendent of Documents, Government Printing Office, Washington, D. C., 5 cents.

- Part 18. Critical, Strategic, and Essential Materials: II; March 30, 31, April 1, 1943.
- Part 19. Tire Dealer and Rebuilder Problems: II; April 5, 6, and 8, and May 6 and 13, 1943.
- Part 20. Rationing Problems of the Baking Industry; April 9 and 12, 1943.
- Part 21. Maritime Procurement: I; May 4, 5, and 14, 1943.
- Part 22. Price Practices of O. P. A.; May 11, 1943.
- Part 23. Quota for Florida Livestock Industry; June 1, 1943.
- Part 24. Poultry Market Situation; June 11 and 15, 1943.
- Part 25. Maritime Procurement: II; July 19, 1943.
- Part 26. Critical, Strategic, and Essential Materials: III—Tucson, Ariz., April 5; Phoenix, Ariz., April 6; and Prescott, Ariz., April 7, 1943.
- Part 27. Critical, Strategic, and Essential Materials: IV—Riverside, Calif., April 7; Sacramento, Calif., April 15; and Los Angeles, Calif., April 16, 1943.
- Part 28. Critical, Strategic, and Essential Materials: V—Las Vegas, Nev., April 9; Grants Pass, Oreg., April 10; Reno, Nev., April 13; Pioche, Nev., April 20; Salt Lake City, Utah, April 24; and Deming, N. Mex., April 21, 1943.
- Part 29. Critical, Strategic, and Essential Materials: VI—Helena, Mont., August 2; Missoula, Mont., August 4; Spokane, Wash., August 5; and Seattle, Wash., August 7, 1943.
- Part 30. Navy Yard Subcontracting and the Type C Contract; October 26, 1943.
- Part 31. Small Business in the Changing War Program: April 25, 1944.
- Part 32. Small Business in the Changing War Program: II; April 26, 1944.
- Part 33. Small Business in the Changing War Program: III; April 28, 1944.
- Part 34. Small Business in the Changing War Program: IV; May 3, 1944.
- Part 35. Small Business in the Changing War Program: V; May 9, 1944.
- Part 36. Businessmen's Views on Reconversion Needs: I—Indianapolis, Ind.; May 24 and 25, 1944.
- Part 37. Businessmen's Views on Reconversion Needs: II—Fort Wayne, Ind.; May 26, 1944.
- Part 38. Businessmen's Views on Reconversion Needs: III—Boston, Mass.; June 22, 23, and 24, 1944.
- Part 39. Commercial Rent Control; July 14, 1944.
- Part 40. Developing the West Through Small Business: I—Kalispell, Mont.; July 24 and 25, 1944.
- Part 41. Developing the West Through Small Business: II—Seattle, Wash.; July 26 and 27, 1944.
- Part 42. Developing the West Through Small Business: III—Portland, Oreg.; July 28, 1944.
- Part 43. Developing the West Through Small Business: IV—San Francisco, Calif.; July 31, and August 1, 1944.
- Part 44. Developing the West Through Small Business: V—Los Angeles, San Diego, Calif.
- Part 45. Developing the West Through Small Business: VI—Phoenix, Tucson, Prescott, Ariz.; August 7, 8, and 9, 1944.
- Part 46. Surplus War Property Disposal; December 12, 14, and 15, 1944.

REPORTS

- Seventy-seventh Congress, first session:
 No. 479, part 1. A Report on the Federal Reports Act of 1941. June 26, 1941.
- Seventy-seventh Congress, second session:
 No. 479, part 2. Recommendations on Effective Participation and Protection of American Small Business in the War Effort; and On Its Preservation and Extension in the American Economy After the War. S. 2250. February 5, 1942.
- No. 479, part 3. Recommendations for the Relief of Dealers in Rationed Commodities. S. 2315. February 25, 1942.
- No. 479, part 4. Recommendations for the Effective Utilization of Existing Stocks of Rubber Tires, etc. S. 2560. June 1, 1942.

Seventy-eighth Congress, first session :

No. 12, part 1. Report to Congress on the Work of the Committee. January 18, 1943.

No. 12, part 2. Small Business in War and Essential Civilian Production. March 11, 1943.

No. 12, part 3. Poultry Market. July 6, 1943.

Seventy-eighth Congress, second session :

No. 12, part 4. Small Business Act of 1944. May 12, 1944.

COMMITTEE PRINTS

Seventy-eighth Congress, first session :

No. 12, part 4. War Contract Termination Legislation. July —, 1943.

Seventy-eighth Congress, second session :

No. 12, part 5. Preparing Small Business for Post War. July 14, 1944.

No. 12, part 6. Commercial Rent Control. October 1944.

No. 12, part 7. Progress Under the Federal Reports Act. November 17, 1944.

Buyer's Guide for Surplus Property. Second Revised Edition, December 18, 1944.

SUBCOMMITTEE PRINTS

Problems of Surplus Property Disposal. July 21, 1944.

Survey of the Nation's Critical and Strategic Minerals and Metals Program.

Future Problems of the Nation's Critical and Strategic Minerals and Metals Industry.

LEGISLATION SPONSORED BY THE COMMITTEE

Public Law 549 (77th Cong.) An act for the relief of dealers in certain articles or commodities rationed under authority of the United States.

Public Law 603 (77th Cong.) An act to mobilize the productive facilities of small business in the interests of successful prosecution of the war, and for other purposes.

Public Law 831 (77th Cong.) An act to coordinate Federal reporting services, to eliminate duplication and reduce the cost of such services and to minimize the burdens of furnishing information to Federal agencies.

Public Law 47 (78th Cong.) An act to provide for the suspension of annual assessment work on mining claims held by location in the United States (including the territory of Alaska).

Public Law 349 (78th Cong.) An act providing for the suspension of certain requirements relating to work on tunnel-site mining claims.

Public Law 457 (78th Cong.) An act to aid the reconversion from a war to a peace economy through the distribution of Government surplus property and to establish a Surplus Property Board to effectuate the same, and for other purposes.

LEGISLATION UPON WHICH THE COMMITTEE EXERTED A
SUBSTANTIAL INFLUENCE

Public Law 395 (78th Cong.) An act to provide for the settlement of claims arising from terminated war contracts, and for other purposes.

Public Law 458 (78th Cong.) An act to amend the Social Security Act, as amended, to provide a national program for war mobilization and reconversion, and for other purposes.

Seventy-ninth Congress, first session: Senate Small Business Committee—Its Record and Outlook. February —, 1945.

