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SELECT COMMITTEE ON SMALL BUSINESS

OF THE

HOUSE OF REPRESENTATIVES OF THE UNITED STATES

SEVENTY-NINTH CONGRESS

WASHINGTON, D. C. Monday  
May 28, 1945

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Number 9.

To Members of the House of Representatives:

Report on Activities of the  
House Committee on Small Business  
(Two-week period ending May 26, 1945)

- I. Small Business mail to Congress heavy since V-E Day. Five major fears of small businessmen summarized.
- II. Schram and Maverick differ as to advisability of "FHA" insurance program for small business loans.
- III. Committee's hearings on "Financial Problems of Small Business" to continue through June 8th. Wallace, Crowley, Snyder, Eccles, Hirsch, Purcell, Folger Hanes and Vinson still to be heard.
- IV. Surplus Property Board reported ready to adopt major points in "Patman Plan" for surplus disposal. Industry Advisory Committees for each class of goods to be appointed as recommended by Small Business Committee.
- V. Tie-up of major oil and tire companies in retail distribution field protested. Witnesses ask Small Business Committee to make its own review of Firestone - OPA "B" Certificate case.
- VI. Conference arranged between representatives of furniture industry and top WPB officials to discuss upholstery fabrics supply situation.
- VII. Oil price hearings to be resumed by Small Business Committee on June 12th.
- VIII. Effects of WPB reconversion and OPA reconversion pricing programs to be made subject of Committee staff reports. Will be issued as supplements to future bi-weekly letters.
- IX. Lumbermen seek further hearings on their problems by Small Business Committee. Claim lack of manpower and equipment their major problems. Southern pine group again seeking higher ceiling prices.

(For details of above, see inside pages.)

I. SMALL BUSINESS MAIL TO CONGRESS HEAVY SINCE V-E DAY. FIVE MAJOR FEARS OF SMALL BUSINESSMEN SUMMARIZED.

V-E Day has apparently been followed with a heavy flood of mail to Congress from small businessmen if the mail received by the Small Business Committee from this source is any criterion. During the past three weeks the Small Business Committee has received more mail and more problems of a varying nature have been assigned to it for consideration by Members than in any previous month in the Committee's history.

An examination of this mail shows that small businessmen have apparently refrained from previously placing many of their problems of a personal or group nature before their Representatives while a two-ocean war has been in progress for fear of having their criticisms and complaints construed as detrimental to the war effort or of lesser importance to Congress during its consideration of other matters of national importance up until this time.

Now, with an obvious release of pent-up feelings, and in apparent anticipation that both military and civilian agencies can now more easily estimate the requirements and length of the Japanese war, these smaller businessmen are asking the Congress to give greater heed to the special problems they believe to be primarily the lot of small business.

Summed-up, these letters indicate that Small Business fears the following:

1. That cutbacks in military procurements will not be offset by direct channeling of an equitable share of available materials to small manufacturers in an amount or in a manner which will enable these small firms to effect a changeover from war to civilian production while their cash reserves hold out. (This fear expressed notwithstanding the special treatment for small firms announced in recent WPB and OPA reconversion programs.)
2. That, in the disposition of Government-owned surpluses, small firms of all types will not be given adequate consideration by the disposal agencies.
3. That alleged inequities in our present tax and renegotiation laws which affect small business will not be corrected soon.
4. That proposed programs (both public and private) for opening up sources of long-term capital and venture capital for smaller firms are mostly "lip service" and will never become effective in time to meet the needs of small firms in these fields in the months to come.
5. That the postwar competition of large distribution outlets such as manufacturer-owned retail stores, chains, and mail-order houses will increase and make it definitely hazardous for many small, locally-owned retail firms to engage or stay in business.

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II. SCHRAM AND MAVERICK DIFFER AS TO ADVISABILITY OF "FHA" INSURANCE PROGRAM FOR SMALL BUSINESS LOANS.

Emil Schram, president of the New York Stock Exchange, and Maury Maverick, chairman of the Smaller War Plants Corporation, testifying before the Small Business Committee on successive days last week expressed differing viewpoints on the much discussed FHA-type loan insurance program for small firms.

Advocating, as a substitute program, the use of locally-owned industrial finance corporations of a semi-public nature, similar to the Louisville and Terre Haute plans, Mr. Schram said that there was a vast difference in the basic factors involved in FHA insured loans for housing purposes and the adoption of the same principle to the granting of credits to small businesses. Housing collateral may be accurately appraised and losses in that field safely insured against, Mr. Schram said, but the same basic factors do not necessarily hold true in appraising small business credits where the risk factors cannot be fully calculated in advance.

Mr. Maverick, who followed Mr. Schram as a witness, proposed that a special

fund of \$100,000,000 be appropriated for use by Smaller War Plants Corporation in insuring 20% of the face value of loans to small businesses which might be advanced by commercial banks. The banks, he proposed, would be charged a premium of  $1\frac{1}{2}\%$  on the face of the entire loan for this insurance service.

While admitting that bankers were apparently opposed to his program, Mr. Maverick suggested that he believed the service would be used by the banks if his insurance plan should be adopted by the Congress. Members of the Small Business Committee devoted considerable time in questioning Mr. Maverick as to the extent of actuarial work done on this program by his organization prior to the submission of the program to the Committee. He was requested to submit additional data as a basis for his assumption that the plan would be workable. He agreed to supplement his testimony through the submission of statistics on the percentage of recovery by creditors in the case of (1) small business failures, and (2) loans to small business by banks and other sources of funds.

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### III. COMMITTEE'S HEARINGS ON "FINANCIAL PROBLEMS OF SMALL BUSINESS" TO CONTINUE THROUGH JUNE 8TH.

Secretary of Commerce Wallace, who has also advocated government-guaranteed loans for small firms, will appear before the Small Business Committee on Tuesday, May 29th. Said hearing will be held in the Banking and Currency Room (1301 House Office Building) at 10:00 A.M.

Mr. Wallace will be followed by other agency heads who favor similar programs. Federal Loan Administrator Snyder is scheduled to appear before the Committee on May 31st. Chairman Eccles of the Federal Reserve Board will submit his views on June 1st.

Witnesses to be heard during the week of June 4th are: Colonel Maurice Hirsch, Chairman of the War Price Adjustment Board (Renegotiation), Chairman Purcell of the Securities and Exchange Commission, Chairman Crowley of the Federal Deposit Insurance Corporation, J. C. Folger, president of the Investment Bankers Association, Robert M. Hanes, chairman of the American Bankers Association's Postwar Small Business Credit Commission, and Director Vinson of the Office of War Mobilization and Reconversion.

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### IV. SURPLUS PROPERTY BOARD REPORTED READY TO ADOPT MAJOR POINTS IN "PATMAN PLAN" FOR SURPLUS DISPOSAL. INDUSTRY ADVISORY COMMITTEES FOR EACH CLASS OF GOODS TO BE APPOINTED.

On May 21st Chairman Patman of the Small Business Committee submitted to the House a 25-point program designed to provide more orderly and equitable disposition of Government-owned surplus property. Calling upon the Surplus Property Board to act quickly in order to protect the rights of small business, Mr. Patman submitted six instances of cases wherein he felt that present disposal procedures failed to give adequate protection to small businessmen.

A spokesman for the Surplus Property Board has since advised the Small Business Committee that the Board looks with considerable favor upon the program submitted by Chairman Patman and that steps are now being taken to put into effect the majority of his recommendations. Industry Advisory Committees for each class of surplus goods, committees upon which Small Business will be given equitable representation, are expected to be appointed shortly. It will be recalled that the Small Business Committee's membership was unanimous in supporting an amendment of Congressman Patman's to the Surplus Property Act which called for the appointment of such

advisory committees. The amendment passed the House, but was removed in conference. Additional legislation is not said to be necessary to permit the appointment of such committees in the opinion of the Attorney General.

In submitting his recommendations for changes in present procedures of the Surplus Property Board, Chairman Patman based a number of his proposals upon a confidential report on a number of individual surplus disposal transactions which were reported to the Small Business Committee and which have been under investigation for the past several weeks by investigators for the Committee. This report will not be made public unless further developments in this field justify its release in the national interest.

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V. TIE-UP OF MAJOR OIL AND TIRE COMPANIES IN RETAIL DISTRIBUTION FIELD PROTESTED, WITNESSES ASK SMALL BUSINESS COMMITTEE TO MAKE ITS OWN REVIEW OF FIRESTONE -- OPA "B" CERTIFICATE CASE.

Evidence was submitted to the Small Business Committee this past week to the effect that it is now apparently a policy of at least one major oil company to require a filling station operator selling its petroleum products to either handle the tire line of a certain one of the four major tire manufacturing companies or lose its franchise for petroleum products.

Additional evidence was also submitted to show that this same major tire manufacturer is now insisting that his retail distributors join him in a "Joint-Advertising Program" wherein the distributor is obliged to spend a specified number of dollars per annum in advertising that firm's particular product. Sufficient evidence is not yet in the Committee's hands to determine if failure to spend these sums results in an automatic loss of dealer franchise, but the understanding of the complainant was to the effect that loss of franchise would result for failure to make these expenditures on behalf of this particular product line.

At the Small Business Committee's hearings in St. Louis, Chicago and other regional centers much testimony was offered in respect to failure of OPA to issue a suspension order against a branch warehouse of Firestone Tire and Rubber Company for violation of OPA's "B" Certificate order. Investigators for the Committee were informed by the OPA attorney in charge of this particular case that small distributors would be suspended for a similar violation, but that "it was not in the national interest" to suspend a large firm like Firestone for this type of violation. The Committee has been requested to ascertain what final disposition of this particular case is to be made by OPA.

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VI. CONFERENCE ARRANGED BETWEEN REPRESENTATIVES OF FURNITURE INDUSTRY AND TOP WPB OFFICIALS TO DISCUSS UPHOLSTERY FABRICS SUPPLY SITUATION.

Supplementing reports in previous bi-weekly reports on this subject, it can now be reported that representatives of the 1,200 small manufacturers of upholstered furniture are to be accorded a meeting with top WPB officials on their fabrics supply situation during the coming week. This conference was arranged at the suggestion of the Small Business Committee.

Furniture manufacturers allege that WPB, in calculating the need for new construction activity in the immediate postwar period, totally over-looked the necessity for encouraging the continuance of the manufacture of upholstered furniture in its recently announced textile control programs.

WPB officials, in rebuttal, refer to the shortage of yarns and textile facilities for use in manufacturing these fabrics.

The results of this conference will be reported in the next bi-weekly report.

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VII. OIL PRICE HEARINGS TO BE RESUMED BY SMALL BUSINESS COMMITTEE ON JUNE 12TH.

On December 4th, 1944, following extended hearings on the problems of the independent oil producers, the House Small Business Committee issued an Interim Report to the House recommending that OPA initiate an immediate study of finding, developing and operating costs of the crude oil producing industry. The Committee further recommended that a time limit of 90 days be set as the maximum period required by OPA to conclude the suggested study because of the obvious emergency nature of the problem.

More than six and a half months have passed since the issuance of that Interim Report and, although OPA concurred in the Committee's request, the study is not yet completed. The purpose of the scheduled hearing is to ascertain the reasons for the delay and to determine if the study is being made on the basis recommended by the Committee. Witnesses from OPA, from the Crude Oil Industry Advisory Committee, and from the industry have been requested to appear as witnesses at this hearing.

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VIII. EFFECTS OF WPB RECONVERSION AND OPA RECONVERSION PRICING PROGRAMS TO BE MADE SUBJECT OF COMMITTEE STAFF REPORTS.

On Page 2 of this report is an analysis of letters received by the Committee from small businessmen who express the fear that present WPB and OPA reconversion programs do not furnish Small Business adequate protection in matters of materials supply or price.

To develop a basis for further Committee study of these alleged problems the staff of the Small Business Committee has been instructed to investigate and report to the Committee at as early a date as possible on these subjects. These staff reports will be made public as soon as prepared and submitted to the Committee so that all Members of the House may have an equal opportunity to examine into these matters which affect small firms in every Congressional District.

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IX. LUMBERMEN SEEK FURTHER HEARINGS ON THEIR PROBLEMS BY SMALL BUSINESS COMMITTEE.

The publication of a special supplement to the last bi-weekly report of this Committee which was entitled "Cold Facts on Lumber Production" has evidently acted as a stimulus to lumber producing interests seeking fresh Congressional consideration of the present problems of their industry. Several independently-sponsored requests have been made to the Committee during the past week asking that the House Small Business Committee again take jurisdiction over this question for the purpose of resuming the series of hearings held by the Committee and its Lumber Subcommittee during 1943. Due to an already heavy schedule of hearings on other subjects the Committee is reluctant to schedule such hearings at this time. The Committee feels, however, that the facts contained in the Special Supplement, referred to above, should be given immediate and special consideration by the proper agency heads charged with war mobilization and reconversion problems to the end that more coordinated action by the several agencies charged with the various phases of the lumber problem may be obtained.

Lumbermen advise the Committee that shortage of available manpower and equipment still constitute their major problems. The southern pine producers are now seeking another price increase from OPA on the grounds that such an increase will help retard the rapidly declining rate of production of this particular item.