

No. 9338.91 A 86

pts. 2-4



GIVEN BY

POST-WAR ECONOMIC POLICY AND PLANNING

HEARINGS

BEFORE THE

SPECIAL COMMITTEE ON POST-WAR ECONOMIC POLICY AND PLANNING

HOUSE OF REPRESENTATIVES

SEVENTY-EIGHTH CONGRESS

SECOND SESSION

PURSUANT TO

H. Res. 408

A RESOLUTION CREATING A SPECIAL COMMITTEE ON
POST-WAR ECONOMIC POLICY AND PLANNING

PART 3

JUNE 7, 8, 13, 14, AND 15, 1944

ECONOMIC PROBLEMS OF THE TRANSITION PERIOD

Printed for the use of the Special Committee on Post-War
Economic Policy and Planning



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1944

9338.91A84
U. S. SUPERINTENDENT OF DOCUMENTS

AUG 25 1944

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POST-WAR ECONOMIC POLICY AND PLANNING

WEDNESDAY, JUNE 7, 1944

HOUSE OF REPRESENTATIVES,
SPECIAL COMMITTEE ON POST-WAR
ECONOMIC POLICY AND PLANNING,
Washington, D. C.

The special committee met at 10:30 a. m., in room 1304, New House Office Building, Hon. William M. Colmer (chairman) presiding.

Present: Representatives Colmer (chairman), Cooper, Zimmerman, Voorhis, Murdock, Lynch, O'Brien, Worley, Fish, Reece, Welch, and Wolverton.

Also present: Marion B. Folsom, director.

The CHAIRMAN. The committee will come to order.

We are pleased to have Donald Nelson, Chairman of the War Production Board, with us this morning. I might say preliminarily that this appearance of Mr. Nelson had been scheduled for some time to discuss the question of the plans of the W. P. B. for cut-backs after the termination of the war.

It seems a little psychological that we should discuss that subject this morning, not at the termination, but at the beginning of the invasion.

STATEMENT OF DONALD M. NELSON, CHAIRMAN, WAR PRODUCTION BOARD

The CHAIRMAN. We are glad to have you with us, Mr. Nelson. We think you have done a splendid job in preparing for the invasion. Of course, this committee is primarily interested in what is going to happen after victory comes. We believe, unfortunately, psychological as this might be, that it is just as important now to plan for the post-war days as it was to plan for the war days prior to the invasion. So we are glad to have you with us, Mr. Nelson.

While it is an important question, the House meets this morning at 11 o'clock; but some of us will remain until you conclude your testimony. You may utilize the time as you see fit.

Mr. NELSON. Well, Mr. Chairman, I quite agree with you that it is timely to be prepared for any emergency. While we know definitely, of course, that we have got to keep up war production just as long as the military services require that production, the Chiefs of Staff determine our military programs, we get our programs from them and they are the ones who know the strategy of the war, and while they need the matériel, it is our job to get it for them and not to let anything interfere with it.

At the same time, I am glad to see the committees of Congress, your committee particularly, surveying this problem, because I believe it

would be unfortunate if we were as unprepared for the peace as we were for the war. The war came on us suddenly. It was forced on us suddenly, and we had to go in and do a job in scrambling these facilities as best we could in order to get out war production.

Now, of course, the job that will face us some day—none of us knows when—some day we will be faced with the job of userambling the facilities and getting them back into peacetime production again.

I believe if the people of this country know that the Government is ready to meet that emergency, they will go forward with their war job in better fashion, and they will produce with more confidence and not be disturbed by the future. I think one of the characteristics of the human race that we must always take into account is that they want security insofar as they can possibly get it.

Now, I did not come up with a prepared statement for you, sir, but I am prepared to discuss this in any way you want. I would like to make a few observations for the the committee which I think are very important for you to consider.

First, I think our job following the war, in the post-war period, is to get as full utilization of our facilities as we possibly can. We are going to have to do this in order to keep up employment. It is not going to be possible to shrink our economy back to what it was before we went into this war, because we have an expanded economy in war production, and it is not possible to take the 1944 economy and shrink it back into the 1939 or 1940 position. You cannot move backward. We have moved forward in too many directions. New techniques have been developed; new processes, new facilities have been built all over this country. In building these new facilities we tried to keep before us all the time the question of the utilization of our resources in the various regions of the country.

One of the things we tried to do was to get more manufacturing into the South, more manufacturing into the Middle West, and into parts of the country where they had not had manufacturing before.

In the distribution of our material resources, we were building plants near the point of utilization, insofar as we could do that without interfering with the progress of the preparation for war. That was the pattern by which we determined the location of many of these resources. We could not, of course, do it on a slide-rule basis, because speed was one of the most important essentials that we had to consider, but all things being equal, we tried to locate the facilities which were built in sections of the country where they had not had them before, where labor was available, transportation, and and other things.

You will find that pattern has been pretty generally followed in the location of facilities wherever it could be done without interfering with the speed of preparation for war. So, first, I think we have got to be thinking in terms of the fullest utilization possible of the resources of the country. That is No. 1.

Now, I think it is also axiomatic, although it is not generally thought of, that you cannot have a full utilization of the resources of this country unless, first, agriculture is prosperous, and that goes without saying. Such a large proportion of our population lives on the farm producing food and agricultural raw materials for industrial processes, that unless that large segment of the population is prosperous, you cannot have the full utilization of your facilities.

Secondly, you cannot have the full utilization of your facilities unless the consumer goods industries are prosperous.

Now, that is divided into two classes: Durable and nondurable. By "durable" we mean refrigerators, vacuum cleaners, washing machines, automobiles, and that whole range of products.

Thirdly, and I think it is very important in our thinking, we cannot have full utilization of the resources in this country unless our capital goods industries are prosperous.

Now, there is not much doubt in anyone's mind today that agriculture for some time, I do not know what the length of time is, for the post-war period, is going to have to furnish food both for our population and for the world.

Our consumer goods industries I feel as soon as the resources can be released can be prosperous because of the pent-up demand.

One of the things we had to do in building up this program was to shut off the manufacture of consumer durable goods, because those facilities were badly needed for the war program.

One of the first things I did in assuming the chairmanship of the War Production Board was to cut off the manufacture of automobiles and to make possible the use of those facilities for all kinds of matériel for the war, such as airplanes, tanks, guns, just a wide variety of products. The automobile industry has done a grand job. The minute the production of automobiles was stopped, they immediately turned to the production of war goods, and made an outstanding record. And so it was with refrigerators, and vacuum cleaners, and a wide range of consumer durable goods.

So, for some little time, as soon as those facilities can be released and they can go back to the manufacturing of consumer durable goods, I think we will have a market, not only in this country, but in other countries of the world where they need them badly, and where they have the money to pay for them.

But the place I think where a great deal of thinking has to be done is in the matter of capital-goods industries. That is beyond the scope of the War Production Board, and one of the reasons I present it to you is because it concerns this whole question of capital-goods industries, the building of homes, the building of machine tools, and so forth. Our machine-tools industry has had to expand tremendously, almost 10 times its pre-war average of production. They have done a grand job of making billions of dollars' worth of machine tools for ourselves and our allies.

Now, unless we can develop an export market, and a broad export market for capital goods, I do not see the chance in the reconversion period for the capital-goods industries to be prosperous, and I think we have got to be thinking in terms of that broad scope of the capital-goods industries, because if you look at war matériel, it is very largely made by capital-goods industries, tanks, aircraft, and guns, and a wide variety of things are made on exactly the same machinery and with the same tools that other capital-goods are made on.

So I think we have got to be thinking in those terms. I set that as a broad pattern.

Now, let us look at the job of the War Production Board. In preparing for war, we had to put on limitation orders of various kinds directing the flow of materials into the things that were most

needed, and above all we had to work out a scheduled program for components. Until we got components properly scheduled, these programs were conflicting with themselves all over the map, each program was conflicting with the other, and there was confusion. That confusion was eliminated, and war production was able to go ahead by leaps and bounds when we got these common components scheduled.

Look at one simple thing like fractional horsepower motors. Fractional horsepower motors are used in practically every piece of moving equipment that the Army uses. The airplane uses a tremendous number of fractional horsepower motors. There are from 150 to 200 in an airplane. They are used for tanks. They are used for control mechanisms of various kinds in a great many different industries. Until we got those fractional horsepower motors properly scheduled, these programs were conflicting all over the map.

Or, let us take another item like valves. Valves were one of the most important essentials in the building of ships, in the building of our rubber program, 100 octane gasoline program, and they went into construction widely all over the country, into many, many things. You could not build tanks, guns, locomotives, or any of that equipment without valves. Until we found the way both to expand valve production and to schedule it so we knew when it was going to be used and it was there on time to be used, and not too far ahead of time—until it was properly scheduled, these programs were wallowing around all over the map.

We had first to put a limitation on the uses, the less essential uses—I never like to think in terms of nonessential, but it is the less essential in war economy—we limited first the less essential uses of things made of steel, copper, aluminum, zinc, lead, practically every commodity, chemicals, a wide range of things that had to have a limitation on their uses; and, secondly, the scheduling of the components, which meant how many components you were going to need, and when, and getting them properly scheduled so they went into each program without conflicting with the others.

Now, as to the reconversion job, I like to think of the War Production Board's part in the reconversion job as readjustment. Reconversion is a much broader aspect. It goes into the disposition of surplus property, contract termination, and a wide range of things. Even taxes become important in a reconversion job, but ours is the narrower problem of readjustment. When the Army no longer needs a certain facility, ours is the problem of trying to see what can be done with that facility, first, for further use in the war; secondly, for essential civilian programs; and thirdly if it cannot be used for essential civilian programs, for other production which will not conflict with the rest of the war effort. Can we give it the material? Can we give it the components, and so forth? In addition to the war production program dictated by the Chiefs of Staff, the War Production Board has had to think in terms of facilities that were needed to maintain essential civilian economy. You cannot fight a great war unless you think in terms of providing the absolutely essential things which are needed in the civilian economy.

But even though we got thinking of those things in terms of being civilian items, they are really indirect military items; they are also used by people who work in war plants.

Let us take a simple thing like work gloves. Without work gloves a worker cannot work in a factory and therefore it is essential that we see to it that the work gloves are made so that the work can be carried on.

The same applies to the automobiles, the transportation, and you can go into a wide range of things that we consider essential in order that the civilian economy can operate.

Now, when we think about the civilian programs, agricultural machinery is a very important element in one of the essential civilian programs. Production of food is as essential, of course, as the production of tanks or anything else. The problem was properly to schedule those things, so they would not interfere, and to get just as much agricultural machinery as we possibly could while at the same time we were building up the war programs.

So we have had the essential civilian programs constantly before us. They expand or contract, according to the necessity for the production of material for war.

Naturally, some items bear a greater priority than others. For instance, in preparation for this invasion, one of the most important single items we had to provide was landing craft. Upon the production of landing craft depended the safety of our forces as they got on to the invasion coast.

We gave an overriding priority to landing craft. If there was a conflict between landing craft and agricultural machinery, we had to resolve it in favor of landing craft, because that was the most important single thing we had to do.

Just so with other things that were of the greatest of importance. While we consider the production of agricultural machinery essential, its importance is relative to other things, because if he hasn't a new plow, a patriotic farmer will use an old one; repair it, and use it. I know it is difficult to do, but he will do it; he will make it work; he will make an old corn planter work; he will make an old combine work if he knows the thing is held back because of some other thing which is more important, such as landing craft.

We had the programs outlined. Dr. Elliott, who is the Vice Chairman of the War Production Board in charge of the Office of Civilian Requirements, has a large number of programs that we consider in degree of essentiality, and which we want to put in at the first opportunity. When any resources are cut back, we think in terms of what essential program can we put in there.

First, we consider what war program is an essential program. Then we try to think in terms of the release of material or components, if they can be manufactured, for something that is wanted by the civilian economy but not absolutely needed.

Now, the controlling factor is the question of interference with the war production program which has to go forward.

Right at the present time, for example, it is very difficult for some people to understand why construction cannot go forward. They say reinforcing bars are available, concrete is available, and in some communities labor is available, so why cannot construction go ahead?

Well, we come immediately into conflict with lumber. Now, lumber is a very important item from the standpoint of the military forces today, not alone for the construction of bases, camps, and so forth, but the minute we invade a new island, or in the invasion of France, an

immense amount of lumber has to follow the services, so we can provide the necessary bases from which to carry on our operations. We need a tremendous amount of lumber to package the various things in the way of war material, so accordingly lumber grows tighter and tighter all the time.

At the same time, we have diminished manpower, due to a number of reasons. First, induction of men into the military services was considered absolutely essential by the Chiefs of Staff to carry on the war, and when you have a diminishing manpower and at the same time a constantly increasing requirement, you can see that lumber is a very critical item at the present time. You cannot carry on construction without lumber, and, therefore, it just is not possible.

While we would like to release materials for construction, lumber is a very limiting factor.

This whole question of having the economy produce the necessary materials for war and at the same time do the essential things that you need and try to fit in the less essential, is quite a tricky job, I can assure you.

You will have a limitation in this post-war period, certainly, if the war goes along as it is expected. We will say Germany is licked first, then we still have Japan to lick. You will have to carry forward a big war program at the same time that you are releasing a large number of facilities that will not be needed because of the ending of the war in the East, the European theater.

So that our part of the job in the War Production Board is to see to it that whatever facilities are released by the military services—mind you, they determine what they need—but when they say they no longer need item X, Y, or Z, then our job is to see what facilities are making items X, Y, or Z; how those facilities could be used either for other essential war programs or other essential civilian programs, or how they can be used by releasing limitation orders or releasing components and getting them into the manufacture of other things which the civilian population wants, but does not absolutely need.

I just tried to sketch very briefly, because you are in a hurry, some of our thinking on this.

Now, what do we do from the standpoint of organization? How do we handle it? Dr. Elliott, in the Office of Civilian Requirements, is constantly surveying the civilian economy. He knows the needs of civilian economy from the standpoint of years of study, and at the same time he knows the picture in the industry divisions of the component situation, and he prepares a program which goes in to the Program Committee.

We have a Direct Requirements Committee, which was another very essential mechanism by which we straightened out these war programs by having all of the claimants sit around the table and prove their claims for materials. At first one of our jobs was trying to get the requirements down in shape so that they could be interpreted into material resources and component resources, as I have explained to you.

Now, the claimants, by sitting around the table, and dividing up the pie, dispose of the resources we have. We try to divide them wisely among the different claiming agencies, such as the War Department, Navy Department, Maritime Commission, Office of Defense Transpor-

tation, War Food Administration, Petroleum Administrator, Rubber Director, F. E. A., and we go on with the long list of claimant agencies.

Now, at the same time, another group in the War Production Board has been set up to work with the Army and Navy and Maritime Commission, and with our own industry divisions on facilities which are going to be released, which are no longer needed.

For example, a war program is cut down, program X, so we will not get into confusion talking in generalities. Program X is to be cut back; now the Army, the Navy, and Maritime Commission sit down with the staff of the Production Executive Committee and look over the sources that have been making that particular part of the program, not alone the prime contractors but, insofar as we can, the principal subcontractors, and think in terms of what can be done with those facilities, with the idea of releasing, so far as possible, facilities which can be used for some other program, or facilities which will relieve the manpower problem in certain tight areas.

I will not go into the manpower problem because you undoubtedly have had that explained to you, but we do have certain critical areas today where manpower is needed badly to carry through all of the things that we have to do in that particular community. Those criteria will be established in that staff of the Production Executive Committee of which Dr. Elliott is a member, and they will recommend to the Production Executive Committee and to the Program and Requirements Committee those facilities which they recommend releasing, and then if new war production can be placed therein, it is done immediately; if it cannot be, then we will survey the limitation orders, the L and M orders, so that materials can be made available if the manpower is available in the community, and if the components are available.

Now, there is one thing I think we have to consider in this. We cannot, from Washington, find work for every concern in the United States today. To do that, in my opinion, we will be doing great violence to the free enterprise system which we hold dear in this country, the virility of which helped us to carry through the war-production program.

If we set up an office in Washington to tell every firm in the United States what they can do or cannot do, or attempt to find work for everyone of them from our point of view, without their determining what they want to do, then in my opinion, by doing that you will do great violence to the free enterprise system.

There is a lot of loose thinking going on in this country as to what will happen in this readjustment period.

Now, the main part of the decision as to what a concern wants to do has to come from the concern itself, rather than from the Government, rather than simply saying to them, "This is what you must do," or "this is what you must not do."

In the case of converting production for war, we had to do that definitely. We had to say to a firm, "We require that you make parts for airplanes, or parts for tanks, or this, that or the other thing," in order to get this conversion from peace to war.

Now, in the readjustment back from war to peace, I think we have to be careful, so that we preserve the integrity of the free enterprise system. I do not like that word; it is too inclusive and it is too

sloganized, but let us put it "the competitive system." The competitive system has been developed in the United States and has made the United States what it is, and if we set the pattern in this post-war period, or attempt to so regulate business in the country when we can release facilities, I think we will do great violence to the United States system of doing business.

Our plan is rather the reverse, to try to give them the facilities when the facilities become available, to try to give them the materials and components if it does not interfere with the war, and let them exercise their judgment when they get into the field of making consumer goods instead of a great many of the things that we absolutely have to have in order to carry on the war.

Now, perhaps I have oversimplified the statement that I made to you, but I think it is very important, and I think it is important for the committees of Congress to consider what kind of controls we set up in the post-war period.

From my point of view, I would like to see the minimum of control. I would like to see, in the post-war period, only those controls which are absolutely essential, looking forward to their release at the earliest possible moment so business can go on, but I would like to see business, during this post-war period, this readjustment period, using its individual enterprise, using its individual initiative, and using its abilities to determine what it shall make, rather than coming down to the Government and throwing its arms around the shoulders of the Government and saying, "What shall I do?" We will tell them what can be done, but the individual companies must determine what they want to do rather than having us simply setting up machinery to find work for every concern in the United States whose war contracts may be cut back.

Now, I tried to give you very generally, my thinking and observation. I will be glad to answer any questions. I know what I said must have opened up a lot of questions in your minds, and it probably will take some time to discuss it.

The CHAIRMAN. It has been a very interesting statement, Mr. Nelson. I have just one or two questions and observations that I would make briefly, in the interest of the element of time.

Some members of this committee were up in Detroit last week end getting first-hand information, getting a first-hand view and knowledge of some of the problems that would confront us in this reconversion period.

Mr. NELSON. Yes, sir; that is a good place to look at the problem, because there are going to be lots of them there. I was there yesterday and the day before.

The CHAIRMAN. We were impressed with the fact that, if we had the same problems in proportion all over the rest of the country, they would be insurmountable.

We found there, without going into detail, that these manufacturers, who formerly were manufacturing automobiles and automobile parts and who are now doing such a wonderful job in war production, were concerned about the reconversion at the speediest possible moment.

Mr. NELSON. That is right.

The CHAIRMAN. They recognized the problems, of course, that we are confronted with, namely, of seeing to it that you do have suffi-

cient war production; but they seemed to be concerned lest they were not going to be able to go gradually into production of civilian goods but all at once would be cut off with a wire from Washington.

I am sure this committee can appreciate your responsibility in that connection. We do not want to have a situation of "too little and too late" or "not enough at the right time."

Mr. NELSON. That is right.

The CHAIRMAN. So far as I am concerned, even though there may be great waste as the result of overproduction, I do not think we can afford to take a chance in not having enough of war materials.

Mr. NELSON. No, sir. We must never take a chance with that. I think it is highly essential. There are many, I know, who feel the Army and Navy have too much. I have always felt, as a matter of fact I know, that the country that has too much at the end of the war is the country that is going to win the war. We must have too much by the very nature of affairs. We do not want to take any chances of not having enough. Nobody can determine how many tanks you need in an invasion, because you have to think in terms of whatever your enemy will do. So I think we have to have too much. I would not like to see us have too much, but where the point comes I do not know.

The CHAIRMAN. Feeling that way, I am just wondering what your Board was doing, what consideration it was giving. To be a little more specific, for instance, here was the Packard plant that was making the Rolls Royce engine.

Mr. NELSON. That is right. They are making the Merlin engine, a very important engine, and it will be used all through the Japanese phase of the war.

The CHAIRMAN. We were under the impression they were apprehensive that they would be compelled to go on producing these engines; then all at once they would be shut down and all of the transformation back to peacetime would occur.

Any questions, Mr. Zimmerman?

Mr. ZIMMERMAN. Mr. Nelson, I had the privilege of going up to Detroit for 2 days, and I talked to those who were going to run the plant, a plant built by the Government, so large that you could hardly visualize its magnitude.

Mr. NELSON. We have bigger ones than that.

Mr. ZIMMERMAN. It appeared larger than the rest of them. While we were there, we saw two planes ready to roll.

Mr. NELSON. We have some bigger ones now in Willow Run.

Mr. ZIMMERMAN. There is a plant there now owned by the Government, and, when production ceases, that plant will be owned by the Government. It seems to me that is something that has to be worked out. Maybe we can take half of it, or a part of it, and start reconversion, as you say.

Mr. NELSON. The disposal of plants is not my problem.

Mr. ZIMMERMAN. I appreciate that, but it bears on what we are talking about.

Mr. NELSON. It does, sir, but the way I think that ought to be worked out is that the Ford Motor Co., who had been operating the plant, know the facilities and everything else; and a part of it is scrambled with their own facilities. They ought to first determine

whether they can make anything else at that plant and use it in any expansion that they might plan.

One thing we must get into our minds is that in the post-war period we have got to be expansionists. You cannot maintain this economy if you think back in terms of 1939 or 1940. It has to be expanded. Instead of the Government sitting down and figuring out what they are going to do with Willow Run, what they are going to make of it, I would like to see the Ford Motor Co. investigate what they can use the facilities for, and then if they cannot use the facilities, they can come back to the Government and say, "We cannot use it," and let somebody else sit down and figure. I would not like to see an organization in the Government that figures out just what we are going to do, what we are going to produce in every one of these plants.

If you do that, then there is great danger that the whole system of free enterprise will change.

Mr. ZIMMERMAN. That would be regimentation from the top.

Mr. NELSON. That would be regimentation from the top, and I think that is a thing we have got to carefully avoid. There are tendencies in that direction which I think must be avoided. I think industry in this country has got to sit down and figure out what they are going to do with these resources. I think they have got to consider regionally how they can do it.

I was in the South recently and talked to a group of them in the southeastern part of the United States, and urged them, from the community standpoint to consider what they could do with these plants that were located in their community. You have got to figure out regionally just how they can be utilized.

I think a great deal can be done. If we think regionally in terms of the utilization of these facilities, and get businessmen working together in the regions figuring out what can be done with these facilities, we would go a long way toward preserving our free enterprise. I would like to see the people of this country figure it out, and not have the Government figure out what we will do with the Willow Run and these other big plants in the country.

The CHAIRMAN. I agree with you that the Willow Run plant presents a different problem. To my mind, there is not so much a problem there of reconversion as it is in the case of the privately owned plant. I think that goes into the question of the policy of disposition.

Mr. NELSON. That's right. That is why I say it is not my phase of the business.

The CHAIRMAN. I used the Packard plant as an illustration of a privately owned plant.

Mr. NELSON. Let us take the automobile industry. Let me follow through with what we are doing in the automobile industry. We have an automobile industry advisory committee composed of the large and small companies. We have sat down with them and talked about the problem of producing automobiles in the post-war period, and told them just when we thought automobiles can be produced. It certainly will not be until after the war, unless it takes an entirely different turn, because we still need their facilities for other important programs, but there will come a time when those facilities can be released.

Now, you have the problem that the automobile industry is, to a very large extent, an assembly industry. They buy the parts from all over the country. The glassmakers make glass for it; the fabric makers make the fabric for it, and parts are made for them from all over the United States.

Just as soon as the programs are cut back to any great extent, and of course, as soon as it becomes clearer to the military authorities that these things can be cut back, then you can do more work on it.

At the present time all you can do is think about it. You have got to have a release of facilities and an interchange of facilities so they can be released to go ahead and let them make automobiles. We are working right now with the automobile industry on that. We had them submit to us their plans as to what they would like to do. In making, say, 2,000,000 automobiles, which was the minimum number they thought they could make and keep their lines for it, and also in having an unlimited production of automobiles, what are the steps we must take first? What new machinery do they have to install? What tools, dies, and jigs do they have to install. Do they want to do experimentation work in the production of automobiles, or do they want to start on the old models, and then, after a limited time, go into the question of new models? The whole competitive situation in the automobile industry enters into it. We are working on that job with the automobile industry right now.

The same applies to the refrigerator industry, and the same applies to the washing machine industry. We are trying to get plans and policies set so they will know what they can do, what the Government will permit them to do, and what we think they can do with the release of facilities.

We have had some 500 or 600 industry committees telling us what they want to do, what they feel the best policy for the Government is. We then, from the standpoint of the War Production Board, will get all the agencies in Washington together and determine what the policy should be in connection with this readjustment. It will vary for each industry, it will vary widely.

The CHAIRMAN. It is highly important that those plans should be made.

Mr. NELSON. Mr. Chairman, I think it is highly important.

The CHAIRMAN. Just as it was important that the plans were made for the invasion.

Mr. NELSON. Exactly, sir. We must not be caught without at least having done some major thinking on what we are going to do about it if certain eventualities should happen.

The CHAIRMAN. I shall not take any further time. Mr. Zimmerman, are there any further questions?

Mr. ZIMMERMAN. No.

The CHAIRMAN. Mr. Reece.

Mr. REECE. The problem that disturbs me most, Mr. Nelson, is the one of continuing employment. As you say, the operation of our continent depends upon various factors, as you very clearly demonstrated. If the war should end, or an important phase of the war should come to a close unexpectedly, as we hope it may and as we are led to believe that such may be the case, and many of our production facilities are suddenly no longer needed for war production, and if

plans have not been completed so that they can readjust themselves and proceed in a very short time to civilian production, it means that there will be thousands of employees thrown out of jobs. If that is carried very far, if there is a very long period of readjustment in which a very large percentage of our employees are thrown out of jobs, then chaos is going to begin to develop.

Mr. NELSON. That is certainly right, Mr. Congressman, but I see no reason for that occurring.

Mr. REECE. I am not quite that optimistic, but I hope it can be avoided and I believe it can be avoided.

Now the witnesses which we have had before the committee, many of them have demonstrated the falling off in requirements as certain phases of the war come to a close, but what has disturbed me, Mr. Nelson, so far has been the lack of demonstration that any Government officials—and to a certain extent private industry—have not demonstrated that they are really getting industry set to go into civilian conversion in the shortest length of time possible.

I realize there is going to be a slowing up, I realize that is necessary, but there is a certain amount of reaction time, just as there is in changing speeds in an automobile, that is required. I am desperately apprehensive that we may get stalled and we will have a very long period of unemployment.

To illustrate what I have in mind, when one of the officials of the motor companies was before the committee, in response to a question which was propounded to him as to what would be necessary when he got instructions from you to cease war production to get into civilian production, one of the things he stated that would be necessary was that he would have to order and receive some 3,500 strategic machine tools, and so forth. Now, as the requirements for the production of machine tools lessen and lessen, is it feasible for that motor manufacturer, taking him as an illustration, to have his machines and tools produce? Could facilities for the production of those strategic machines and tools be released so that he would be in readiness, so far as the tools are concerned, when he got his stop order to immediately proceed to the production of automobiles when his plant can be cleared for it?

In connection with clearing the plants, one motor company official advised me, in response to a question, that there were some 9,000 strategic machines and tools employed in that particular division and that he could use possibly 3,000 of them in a reconversion program, but those machines and tools now belong to the Government.

Could not some appropriate officer of the Government now negotiate with that motor manufacturer for the sale of those tools and machines which he can use, so that he would know that he had them and could count upon them in determining his requirements, in determining what he would have to order, and then, as I say, as to the other tools that he might need, that the production of them might be permitted when facilities for that purpose can be released?

Mr. NELSON. That is one of the things we are working on now with the industry. We are asking them to have prepared for us just what they are going to need in the way of machinery. I think the first thing for them to do would be for them to survey with the Surplus Property Administrator just what machine tools we have that are going to become available out of surplus first, and, secondly, what

we have in mind is allowing them to place their orders for machine tools with machine tool manufacturers, give them priorities to enable them to be built when they can be built without interfering with the war effort. That can go along in a perfectly orderly way.

You say, well, we are late with it. Well, we have still got a tremendously big war program. If this thing should suddenly, of course, change, work would be taken from your machine-tool people immediately and they would go right into the production of machine tools for civilian requirements. You can not build machine tools, however, at the present time when the machine-tool manufacturer has first got to use the material in making new machinery for the munitions program, for the making of parts in the war effort. Mind you, when the machine-tool industry went down, when their demand went down, we rescrambled them into other things which we badly needed. Some of them are making parts for airplane engines, some of them are making parts for various other things. They have gotten other business. It was important that we utilize those facilities.

I think the automobile industry should be allowed to place orders for the machinery that they want to be made when it can be made, but it can only be made when you can release those facilities from the work which they are now doing for the war effort.

Mr. REECE. I realize that. I realize the facilities cannot be released until the war effort justifies the release for that purpose. I think, when we are geared up for war production, with the war spirit, as should be the case, that there is a tendency for us to overlook this reconversion.

Mr. NELSON. I agree with you, Mr. Congressman.

Mr. REECE. We were not prepared for the war. We did not know the war was coming, or at least hoped it might not come, and we were not ready. We know that peace is coming and I do not feel that there is any justification for us not to be reasonably well prepared for the peace; we cannot afford to overlook doing everything possible in a practical way to be ready, without permitting this period of chaos. If that ever develops, I am very pessimistic as to how you are going to get out of it.

Mr. NELSON. Mr. Congressman, in the first place, I agree thoroughly with you; but, as to the period of chaos developing, I can assure you, in my opinion, it will not develop. If you just go back over the record, I would like some day to show you the predictions of chaos that was going to occur in this war program. I can recall very distinctly the automobile manufacturers and everyone else telling us about the chaos that was going to occur in Detroit if we cut out automobile production. We cut it out and that chaos did not come about. We have got great ingenuity in this country. This period of chaos will not come, sir, in my opinion.

Mr. REECE. And, Mr. Nelson, we had every phase of that ingenuity directed to changing our industry to war production.

Mr. NELSON. That is right, and that same ingenuity will help us to change from war to peace.

Mr. REECE. If we can get the same amount of energy, the same amount of intelligent direction directed to peacetime conversion, then I have no apprehension as to what is going to result. I am afraid

we may overlook putting that effort to it in our reconversion to peace.

Mr. NELSON. That is right, but the point is this: I think we very definitely have to rely on private initiative putting in that energy rather than setting up the initiative of the Government that is going to plan everything for the automobile manufacturer. I want to see the automobile manufacturer use his ingenuity on his own behalf. True, there are certain things that he cannot do today; but he has shown great initiative in changing over from peace to war. I am sure he will do the same in changing over from war to peace.

Mr. REECE. That is why we must do everything toward putting him in a position where he would willingly do it.

Mr. NELSON. As soon as the war program is cut down, that will be done. We are not going to have any restrictions on him that are not absolutely essential. When that time comes that man is going to use his private initiative. He knows now pretty well what he wants to do. The only thing I want to emphasize there is these predictions of chaos do not come true when you have got a lot of initiative in this country.

Mr. REECE. Mr. Chairman, I had other questions but, in deference to the other members of this committee, I shall not continue to ask them.

The CHAIRMAN. Mr. Welch desires to ask a question.

Mr. WELCH. Mr. Nelson, you stated it will be necessary to expand our production after the war.

Mr. NELSON. Yes, sir.

Mr. WELCH. Will it not be necessary to find foreign markets in proportion to our increased production?

Mr. NELSON. That is very definitely true, we will have to find foreign markets. Your principal solution of the capital-goods industry, in my opinion, is foreign markets.

Mr. WELCH. You are aware of the fact, of course, that for years before the war we were producing 10 percent in excess of the goods consumed.

Mr. NELSON. The world is going to want capital goods.

Mr. WELCH. For domestic consumption?

Mr. NELSON. For domestic consumption, and to rebuild the world. I think we have got to find the way, to find the machinery by which that can be financed, can be paid for. There is a large export market in capital goods to be developed just as quickly as we can. If we can do that, then I am not afraid of any chaos or unemployment.

If we can solve the problem of the capital-goods industry—and I believe it can be solved by a proper exploring of the export market—we will be going a long way. We are making some effort in that respect, and I will be glad to talk to the committee in executive session on what we have been doing about it. I would not like to do it in a public session. I would be glad to give you some of the thinking I have had on that subject.

The CHAIRMAN. I am sure (if I may interject, Mr. Welch) that the committee would be highly pleased to have such information.

Mr. NELSON. I would be glad to sit down and discuss with you ways and means by which I think it can be done.

Mr. WELCH. It is regrettable that we cannot avail ourselves of more of Mr. Nelson's time. I desire, Mr. Chairman, to compliment Mr. Nelson on his splendid constructive statement to this committee.

Mr. NELSON. Thank you, sir.

Mr. FISH. Mr. Nelson, you made a very interesting statement about rebuilding the world. I just want to ask you one question about that.

Mr. NELSON. Believe me, sir, I did not mean by that that it was our job to rebuild the world. Maybe it would be more correct for me to say the world will want to rebuild itself and we have the facilities that they can use.

Mr. FISH. There is no question about our facilities and our productive capacity, but where are we going to get the money to pay for our own goods?

Mr. NELSON. Of course, it has to be paid for, and one of the things I would like to discuss in executive session with the committee is how we will pay for it, because I have some ideas on it that I would like to present to you.

Mr. FISH. I know what happened in the last war when we gave billions away.

Mr. NELSON. I am not thinking about what happened in the last war or about giving it away; I am thinking of a business arrangement.

Mr. FISH. You want an executive session to give that information to us?

Mr. NELSON. Yes, sir; I would like to.

Mr. FISH. I would be delighted to hear you.

Mr. ZIMMERMAN. Mr. Nelson, while you are on that line, will you meet this committee in executive session?

Mr. NELSON. I will be delighted to do it, sir.

Mr. ZIMMERMAN. I do not know whether you had anything to do with the agricultural problems.

Mr. NELSON. No, sir; I had very little to do with agriculture except to furnish the machinery.

Mr. ZIMMERMAN. I hoped you had an expert in that field. I happen to represent an agricultural section of the country, the Mississippi Valley, that is the bread basket of the Nation. We can produce all the world needs if we can get the facilities to do it. We have got a problem. We want to get money that you need to buy these automobiles and washing machines, the vacuum cleaners and radios, and we can get it if we can sell our stuff. This thing is far-reaching.

Mr. NELSON. Very.

Mr. ZIMMERMAN. Maybe you can throw some light on the industrial side that will help us.

Mr. NELSON. I do not know that I can do much for you in agriculture, but I think I have a plan for selling—mind you, when I say "selling" I mean something to be paid for—on a wide scale our capital goods to the world that they are going to need very badly and that will enable us to use our facilities. I think you will agree, Mr. Congressman, that when your industries are busy they consume more food. Agriculture and industry are very closely interrelated; in fact, I think of agriculture as being an industry. It is an industry, it is a food-producing industry.

Mr. ZIMMERMAN. That is right; it produces fiber materials.

The CHAIRMAN. Mr. Voorhis.

Mr. VOORHIS. Mr. Nelson, you said in the course of your remarks that you did not want the Government to plan what everybody was supposed to produce.

Mr. NELSON. That is correct.

Mr. VOORHIS. I think you are quite correct in that. I have been very deeply concerned, and I am sure you have, too, about the position that the smaller scale industry and business will face after the war.

Mr. NELSON. I think when you talk about small industry, that is another problem.

Mr. VOORHIS. It seems to me that their position is going to be very largely determined by this one factor: Whether or not in connection with such cut-backs, as become possible on the basis of too much for the Army and Navy, such cut-backs can be arranged so as to let small business get started on essential civilian production at least as soon, if not a little sooner, than the fellows who have grown so great during the war.

Mr. NELSON. I agree with you, sir, that it ought to be done sooner; not as soon but sooner.

Mr. VOORHIS. I am very glad, indeed, to hear you say that.

Mr. NELSON. In this work of passing this business through the area production urgency committees, we have exempted production concerns with 50 or less on the Pacific coast and 100 or less in the East, with the idea that would give them a start. I think we have to go even further with small business. I think you have got in Mr. Maverick a very sound and able fellow who is thinking in just those terms.

Mr. VOORHIS. I want to ask you this question, Mr. Nelson, in connection with those small businesses. It is not going to be enough, under present circumstances to say, "Now, you fellows are free to go and produce what you like," because they are going to have to have priorities: they are going to have some kind of "go ahead" from you on some basis before they are going to be able to do that.

Mr. NELSON. That is right. I do not believe we ought to go around and pick every one of those companies and say, "You are going to make agricultural implements," or "You are going to make this, that, and the other thing." I want them to come to us and say just what they are going to make.

Mr. VOORHIS. Under those circumstances you will be prepared to lend a sympathetic ear?

Mr. NELSON. Yes; and to aid them in more ways than we would big business. I would not want to see a W. P. A. established for small business, because I do not think that is what small business wants. I think they want a fair set of conditions under which they can operate.

Mr. VOORHIS. I think it is obvious there are plenty of lines into which they can go now and get a very early start.

Mr. NELSON. That is right, sir.

Mr. VOORHIS. If that is only made possible, I think that is enough.

Mr. FISL. Is it not a fact that they need a little more help than the big ones? That they need a little more consideration from you and your organization than big business?

Mr. NELSON. That is right, sir; and I think they should have it. I am 100 percent in favor of giving it to them, provided we do not think in terms of too broad a scale. We should not think in terms of helping them with the idea that we are going to run them. I do not want to see the Government run small business. I want small

business to run itself, with the Government only making it possible for them to do it.

Mr. VOORHIS. You said you had to think in terms of an expanded economy.

Mr. NELSON. Yes.

Mr. VOORHIS. Then you spoke of the export of capital goods as one factor in making that possible. You assumed, and quite correctly so, that we were not going to do it the way we did after the First World War. It is time we were going to have a sound method of handling international balances.

Mr. NELSON. That is right, sir.

Mr. VOORHIS. If that be true, then would you not agree that the fundamental thing necessary to make possible a capital goods export on the part of our country is a sufficiently large home market in the United States, not only to absorb all we can produce but also to leave room for the importation of certain goods from foreign countries to which we export the capital goods?

Mr. NELSON. There is no way, sir, they can pay for it unless we do that.

Mr. VOORHIS. Then we must devise ways and means of sustaining a much higher level of effective consumer demand in the United States than we have ever had before in history.

Mr. NELSON. In my opinion that is absolutely correct, sir, and must be faced, I think, as a fundamental philosophy.

Mr. VOORHIS. Then as one step in that direction—and with this I am through—do you think it is important to provide some kind of what we might term “conversion financing” for labor in the period of transition which would correspond with the interim financing which is being provided for business during that same period?

Mr. NELSON. If I may, I would rather not answer that question. There are other Government agencies that work on that, and I do not want to cross-fire with them. I think there are others to whom that is delegated, who are working on that problem.

The CHAIRMAN. Mr. Murdock.

Mr. MURDOCK. Mr. Nelson, first I want to compliment you on one of the most splendid statements I have heard. One of your points in that statement was to this effect, that our post-war salvation depends upon the fullest possible utilization of the resources of the United States. I wish it could be expanded immensely. I presume one of the utilizations you have in mind is the soil, is agriculture.

Mr. NELSON. Yes, sir.

Mr. MURDOCK. I am glad to hear you say that, although you disclaim full knowledge in that field. We have had it pointed out to us that, in order to service the enormous debt which now hangs over us, we must continue to have an income of at least \$140,000,000,000 annually.

Mr. NELSON. Somewhere between 120 billion and 140 billion is certainly absolutely necessary.

Mr. MURDOCK. And that, of course, means the expanding of industry on which you spoke. Now, you yourself recognize agriculture as an industry, a basic industry. Statistics show that national income is closely related with the farm income.

Mr. NELSON. Very definitely. There is no doubt in my mind about that. I have followed the statistics for years, and industry and agriculture will come in that basic pattern.

Mr. MURDOCK. That relationship is about 1 to 7.

Mr. NELSON. That is right.

Mr. MURDOCK. In other words through many years, national farm income has been one-seventh of the national income. I think there is a definite relationship between them and it is not a happenstance.

Mr. NELSON. That is my belief. Before I came here I was connected with a business that was dependent on farm income and I studied it most thoroughly. To me there is a very close interdependence between the prosperity of agriculture and the prosperity of industry, and vice versa. It works both ways.

Mr. MURDOCK. If then, we want the national income to continue after the war in the amount of \$140,000,000,000, we must see to it that agriculture has at least an income of \$20,000,000,000 annually. That would be one-seventh, \$20,000,000,000 annually. Now, the big question in my mind is, how are we going to do that? During the war and for some years following the war, there can be no such thing as a surplus of food and fiber.

Mr. NELSON. We have destroyed so much that that is true, particularly in the fiber field.

Mr. MURDOCK. But when we think of the years ahead, it is conceivable that we may have again what is called a surplus of food and fiber. Part of our post-war planning, I take it, Mr. Chairman, is to so expand our needs in order that we can utilize any possible surplus of food and fiber. I would like, sometime when we meet with Mr. Nelson in executive session, for him to discuss that matter further.

Mr. NELSON. I am afraid you are a little bit off my field there, but I will give you my thinking on it. There is no answer to that sir. I wish I did have one. I only know a limited number of the answers. I do not have an answer to the over-all picture.

Mr. MURDOCK. The question for which I seek an answer is only one of many, but it is this: How can we continue to have agriculture enjoy one-seventh of the national income and the national income expanded to the point high enough for us to survive?

Mr. NELSON. You bring up a point that is very fundamental in our whole economy. I do not think there is any question about that.

The CHAIRMAN. Mr. Wolverton.

Mr. WOLVERTON. I agree with the chairman. We have had a very helpful statement from Mr. Nelson this morning. I regret this roll call necessitates my leaving sooner than I would like to, but there are one or two questions that I would like to ask. To put one briefly: What policy would you suggest to prevent the recurrence of the Brewster case?

Mr. NELSON. The Brewster case will not recur again. You will have it in a different form. Now, the Brewster case was one in which there had been a lot of work done by the Navy. The Navy was practically running the concern, because they were giving them the money. They were going through various vicissitudes, and so forth. We learned a lot in the Brewster case and we will not have a repetition of exactly that one. But may I say this very definitely: I think there is a question of how you are going to be able to supply work to a

company like the Brewster Co. I believe it is incumbent upon the management of the Brewster Co., and other airplane companies, to figure what they are going to do. Their contracts are going to be cut back some day. They must not just come into the Government and say, "Our contract is canceled. What do we do now?" That is not the American system. When we went into this war I had concerns coming in saying, "Find us some business." I said to them definitely just this: "That is not the way you built the business, by coming to the Government and asking the Government to find you business. You built your business by going out and finding it yourselves. Find it yourselves. You determine what you can make for us."

If we had set up a system at that time of just absolutely requiring that we find business for every concern that wanted war business, we would have changed our whole system of government. Now, I will just say in this reconversion I think it is up to the aircraft companies, as it is with others, to figure out how they are going to keep their facilities busy when their products are no longer needed, because the time is coming when they will have to do that.

Mr. WOLVERTON. While we deplore a situation like that, I am very glad it happened as early as it did. It seems to me that it directs our attention to the importance of showing where the Government can be of assistance in providing employment. Government should be ready and willing to throw itself into the breach first, either by planning so that that situation would not arise or, in the second place, having in mind that if it would recur in plant after plant, we would soon have a situation on our hands that might get out of bounds.

Mr. NELSON. That is right, sir.

Mr. WOLVERTON. Now, when you speak about the initiative that must be exercised by management in finding its own business. I can readily follow you and in a good many instances apply it as you have in mind. However, having in mind the shipbuilding industry, which I happen to know something about because it is in the community in which I live—

Mr. NELSON (interposing). That is right, sir.

Mr. WOLVERTON. I will use, as an illustration, the New York Shipbuilding Co. that now employs many thousands of workers; prior to the war it was 3,000. I can hardly figure how the management of the New York Shipbuilding Co. could utilize initiative to keep up a program that would in any way approach the level of the current shipbuilding program.

Mr. NELSON. That is right, sir. Do you think it is up to the Government to buy the ships that they can keep on building when we do not need them?

Mr. WOLVERTON. That is not the situation as I would want to present it. I am having in mind your emphasis on the initiative of management.

Mr. NELSON. That is right, sir.

Mr. WOLVERTON. I am merely calling your attention to the fact, without offering any solution myself, that there are certain industries where the initiative of management can not fulfill the attainment of that objective to the extent that you have emphasized in your report.

Mr. NELSON. I quite agree with you, sir, and I am only pointing out

and I mean to emphasize the fact that there are certain industries that are built up as the result of the war, that unless management can find a way I do not know how they can go ahead. Shipbuilding is a perfectly good example.

Mr. WOLVERTON. I only felt compelled to mention that because of the emphasis you had laid on the initiative of private management. I cannot just see how that would work out in that particular industry. It is so largely overbuilt from a peacetime standpoint that I just cannot realize how management could initiate a program of continued building.

Mr. NELSON. Not the building of ships, perhaps, but perhaps the building of something else. If the Government tries to find a way of keeping every one of the shipyards busy that has expanded to the full extent of their ability to expand in building ships, we will never succeed.

Mr. WOLVERTON. Then there is some limitation to the initiative that management can carry on.

Mr. NELSON. In the building of ships, yes, sir; but how about other things that they might be able to do?

Mr. WOLVERTON. I am just discussing the difficulty that I know about a particular problem.

Mr. NELSON. We know definitely today; I mean, anybody can see that we will never find a market for 8,900 airplanes a month. That is what we produced last month. There is no possible way that I know of to find a market for 8,900 airplanes a month. I do not know what you can do to find a market for the 8,900 airplanes a month.

Mr. WOLVERTON. Except as one airplane manufacturer has stated to the committee, of which I was a member, in going through his plant, that they want to destroy them all and start building them over again.

Mr. NELSON. You would have to have another war in order to build 8,900 ships a month. I do not think you want to start another war right away.

Mr. WOLVERTON. The airplane situation does not approach the importance of the shipbuilding that I speak of for the reason that so many of the airplane companies are getting back into the manufacture of automobiles. There is a chance for them to return to their previous employment. I cannot see that there is that chance in the other case.

Mr. NELSON. I would like to have the time to follow this through with you, because there are some very fundamental points that I think we have got to come to grips with right away. The *Brewster case* illustrates one, where we can find work for them, and where we will not have all this confusion. Before this thing came up publicly, we were at work trying to find whether we could put part of the artillery program in there, part of the ammunition program in there, making other airplane parts, and so forth. We were busy at work on that.

The question that I am bringing up is—and it is a very fundamental question—Is it up to the Government to take every one of these concerns that has been expanded and find work for them to do in their present expanded condition?

Mr. WOLVERTON. I do not think that is in the mind of any member of this committee.

Mr. NELSON. I am sure it is not.

Mr. FISH. Has your organization any post-war authority to plan on this final question of employment of those war workers who are demobilized? Have you the power to do so, and are you doing it?

Mr. NELSON. No, sir.

Mr. FISH. So if the shipbuilding plant is shut down, you would know where it is possible to move these men to find other employment. Is there any program or plan or organization in respect to that?

Mr. NELSON. As I understand it, that is General Hines' job. That is his commission from Mr. Byrnes.

Mr. FISH. That is not your job?

Mr. NELSON. No, sir. My job, as I conceive it, in the War Production Board is to first see whether there is other war business that can be given when it is shut down; or, second, whether there are other essential civilian programs which they can take on in case we are not able to release to them materials and components to make other things which they determine they want to make and can sell.

It is not the intention of the War Production Board to plan what every concern in the United States is going to make after the war.

Mr. FISH. What I want to find out is whether you have any power or authority from Congress to do this thing.

Mr. NELSON. As long as the war is on, sir, of course we have the priority power.

Mr. FISH. You have to do with war production?

Mr. NELSON. That is right, sir.

Mr. FISH. Have you got anything to do with peacetime production after the end of the war? Are you planning to do anything at all on the question of the employment of American labor after the war is won?

Mr. NELSON. No, sir; I do not conceive of that as our job.

Mr. FISH. I did not think so. I wanted to make sure about that, as to whether we had some organization that has that power from Congress.

The CHAIRMAN. Mr. Lynch?

Mr. LYNCH. Mr. Nelson, I just want to add my word to what has been said in a complimentary way about the statement that you made this morning. There are one or two things in my mind that I would like to have cleared up. What is the attitude of the War Production Board with respect to the stand-by policy of the Army and Navy, insofar as facilities are concerned?

Mr. NELSON. Well, we will work with them on stand-by facilities to be sure the stand-by facilities which they set up are the right ones to set up. We cannot determine what stand-by facilities they are going to need. They are going to have to determine that. But we can determine, sir, whether we use as a stand-by facility a Government-built plant or a private plant. For instance, you may make a decision that we are going to hold this particular plant as a stand-by, and it may be that we may need that plant badly, or you may be able to convert it, and thereby create employment and still use it as a stand-by. That will be the type of work that we will work with the Army and Navy on.

Mr. LYNCH. You said a very important thing before when you asserted that one of the most involved questions was whether there would be much too much.

Mr. NELSON. That is right, sir.

Mr. LYNCH. Who presently determines whether there will be too much too much, or whether there is too much too much?

Mr. NELSON. When the Office of War Mobilization was set up, Mr. Byrnes had various committees at work with the Army and Navy and the Maritime Commission on these programs to determine that very question. He has been at work on that. It has not been our job.

Mr. LYNCH. Do you know of any instances where it has been held that there has been too much material?

Mr. NELSON. Yes, sir.

Mr. LYNCH. What has become of the plants that have produced those materials?

Mr. NELSON. Some of them have closed down. For the small-arms ammunition plants, the single-purpose plants, for the most part, the whole program has been rearranged.

Mr. LYNCH. Has anything been done to restore those plants to civilian production?

Mr. NELSON. Where it could be done, sir; but, in those cases, we were not able to convert them to civilian production because the Army wanted them kept intact in case they needed more ammunition. It is fortunate they did, because some of them have come back to produce the ammunition.

Mr. LYNCH. I mean other than single-purpose plants; has anything been done to restore those to civilian production?

Mr. NELSON. Oh, yes. Of course, this readjustment has been going on constantly. We can give you any number of instances of it. That has been going on constantly for over a year and a half.

Mr. LYNCH. Can you give me one outstanding instance of a plant engaged in war production that has been restored to civilian production?

Mr. NELSON. Oh, yes; we can give any number of them.

Take the stove production, the flat irons, things where we had the materials available, there have been a number of plants restored to civilian production; yes, sir.

In the agricultural-implement program we had to make many rearrangements to make the agricultural-implement program possible. By rearranging the production programs we have done some releasing of facilities. I would be glad to prepare a statement for you on that.

Mr. LYNCH. I would be very glad, Mr. Nelson, to have you do that, and I would like to ask that it might be included in the record.

The CHAIRMAN. It may be included in the record.

Mr. NELSON. I will be glad to do that, sir.

Mr. WOLVERTON. When these contracts have been canceled, has the cancelation been considered in the light of the labor market in that particular area?

Mr. NELSON. That has been one of the prime considerations, because the manpower was very short.

Mr. WOLVERTON. Why was not that done in the Brewster Aeronautics case?

Mr. NELSON. That was done in the Brewster Aeronautics case, sir. The War Manpower Commission went to the Long Island plant, and offered jobs to 8,000 workers. They were right there ready to move them into doing other things.

Mr. WOLVERTON. Was that after they were shut down, or before?

Mr. NELSON. That was simultaneously with it, sir.

Mr. WOLVERTON. Because I had received letters probably days beforehand from employees. That plant is just across the river from where I live. I received letters to the effect that there was danger of a shut-down. They were very skeptical of getting any employment in New York, because, as you know, there is no scarcity of labor there.

Mr. NELSON. There are a number of programs close to New York. You may not get it in that immediate community, but where we have got a manpower shortage, I think it is fair to assume that people will move reasonable distances to their work. Take, for instance, at Johnsville, 12 miles from Philadelphia, we need manpower badly in Philadelphia, and it would be very easy for those employees to go to Philadelphia, to commute. I do not know the details about Long Island. All I know is that the War Manpower Commission were offering jobs to those people, they were asking them to move to other jobs.

Mr. WORLEY. Why did not they take them?

Mr. NELSON. There are various reasons. For instance, the salary differences. The jobs were not at the same salary that they were getting, and it involved commuting. I think the War Manpower Commission can give you all the reasons.

In the Brewster case there were jobs offered to these people definitely. They may not have been the ones that they wanted, but there were jobs offered them.

Mr. WOLVERTON. Of course, there is always a difference between one job and another.

Mr. NELSON. That is right, sir.

Mr. WOLVERTON. There might be some very good reason why people would not want to, for instance, travel from the Bronx out to Newark, which takes about 2 hours to make that trip, and 4 hours of traveling a day for a laboring man is a considerable time.

Mr. NELSON. I think there are a lot of other places than in Newark.

Mr. WOLVERTON. Are there any places in New York where labor can get employment? The people in New York would appreciate getting it, because there is a great overflow of labor there—not a great overflow, but a considerable overflow.

Do you think, Mr. Nelson, after the war terminates there should be any agency of the Government somewhat like the present War Production Board to handle the allocation that I assume must be necessary?

Mr. NELSON. Allocations of what, sir? Of materials?

Mr. WOLVERTON. Allocations of materials.

Mr. NELSON. That, of course, is the job of the War Production Board.

Mr. WOLVERTON. It is after the war that I am talking about. I know that it has delegated to your present Board to do that now; but I mean after the war, do you think there should be a continuance of such an agency as the one which you have now?

Mr. NELSON. I do, sir. Of course, what I think ought to be done is just as you have the Office of War Mobilization. You have an Office of War Demobilization, which I understand has been set up by the President, and if it needs congressional action, it ought to have that,

so it could focus all of the various problems and set up agencies which can deal with them. I think it would be possible for the War Production Board to be so condensed that it could be moved into some other agency and carry on as a part of the Government.

If you had a director of demobilization who was also a director of mobilization his would be the job of recombining the activities of Government agencies. For instance, I hope these emergency agencies can disappear eventually, and if there is a continuing job then part of it could be put into a Government agency so it could be carried on as a part of the work of the Government, if it is a necessary thing to be done, rather than having it in an emergency agency.

We deal with power. You have other divisions of the Government dealing with power. Eventually, it will not be necessary for us to handle the power problems. When the power problems diminish to such an extent that they are no longer emergency problems, then they ought to go to some other Government agency.

Mr. WOLVERTON. I assume there will be a great shortage of materials after the war.

Mr. NELSON. Certain ones, and certain ones not, of course.

Mr. WOLVERTON. And in those certain ones that will be, there will have to be, I assume, an allocation of those materials to various industries.

Mr. NELSON. There will be relatively few, sir, after the war. The only ones I anticipate at the present time after the war will be lumber and paper, until the manpower situation can be straightened out there, and the shipments overseas and other things diminished, and in that case the lumber and paper shortage will diminish.

Mr. WOLVERTON. Your bringing up the question of lumber brings me to a point in which I am interested, in a matter before the subcommittee on construction. I understand there is a great shortage of such things as bulldozers and cranes, and the like.

Mr. NELSON. There is, sir, at the present time.

Mr. WOLVERTON. Of course all construction will be delayed until that equipment can be manufactured. Is there any possibility of an early release so that, insofar as construction might be concerned, that equipment might be had at any time when construction might be undertaken?

Mr. NELSON. Well, sir, the Army and Navy is taking most of that equipment at the present time. I think 95 percent of it is going to the Army and Navy. Now, as soon as their requirements diminish, and those concerns have the present manufacturing capacity, it is my belief that equipment will become available just as quickly as very large construction will become possible.

Mr. VOORHIS. Isn't that an instance where some of that material will be surplus?

Mr. NELSON. A good deal of it.

Mr. VOORHIS. Will not there be a good deal of that sort of equipment that can be sold back to civilian use?

Mr. NELSON. Certainly. Just taking the amount of that in pipe lines alone, is a tremendous quantity. The Army and Navy are using an immense amount of earth-moving equipment. It took a vast amount of bulldozers right in that invasion.

Mr. LYNCH. Most of that surplus will be in foreign lands?

Mr. NELSON. In the pipe line alone there is a large amount of that equipment. Answering your question directly, it is not possible to increase the production for civilian use of those classes of items without an expansion of facilities, and I do not think we want to go into an expansion of those facilities at the present time.

Mr. LYNCH. Going back to the question of need on the part of the Army and Navy, do you find it is the policy of the Army and Navy to take all that they can get in the way of material so that they are insuring and reinsuring themselves against the possibility that there might be a shortage, or that they might need them in the future?

Mr. NELSON. Well, they come before our requirements committee, sir. Their requirements are allocated to them. They make a showing of their need.

Now, on most of these principal items, the Army and Navy and Maritime Commission come before the Requirements Committee and show us that they absolutely need them. I have no doubt, and I think we would all want it so, that they think in broad terms rather than "too little, too late," in "too much, too soon," and I want them to think in those terms. Where there ever was an element of doubt as to whether they needed it or not, we resolved it in their favor, sir, because I think that is the right way to do it.

Mr. LYNCH. I think there seemed to be a very strong opinion in certain quarters that the policy of the Army and Navy is to look only to their prospective needs.

Mr. NELSON. That is right, and we wanted them to do that, sir.

Mr. LYNCH. Without regard at all to the civilian economy.

Mr. NELSON. That is right, sir. We have been the ones who determine what the civilian economy needs. We wanted the Army and Navy to think in terms only of their own needs. I do not believe we want them to be concerned about what the civilian economy needs. When the civilian economy needs something we have made the determination as to whether they should get it or the Army and Navy. All the time the War Production Board has been in existence we wanted the Army and Navy to think in terms of their own needs.

Mr. LYNCH. In thinking in terms of their own needs, there seemed to be a feeling that these officers were not at all considering civilian requirements.

Mr. NELSON. It is up to us to do that.

Mr. LYNCH. Because if they did, and something developed, they would be the ones to be blamed.

Mr. NELSON. That is right.

Mr. LYNCH. That is the policy that they have adopted, I am told. Is that the policy that the War Production Board approves with respect to that?

Mr. NELSON. No, sir. If I may take the time to take you through all of the work of the Requirements Committee, one of the jobs that Dr. Elliott has now—and Mr. Whiteside had it before him—is to make the claim before the Requirements Committee for the things that the civilian economy needs, and where it was shown to be needed it was allocated to the civilian economy. The Army and Navy do not agree on agricultural machinery right now. That is perfectly all right, but we make the determination in the Requirements Committee, and set it up.

Now, I think you want them thinking in terms of safety and in terms of resources.

Mr. LYNCH. Certainly.

Mr. NELSON. I have never had any criticism of the Army and Navy for thinking in terms of their own needs first, even though it meant many arguments. I wanted them to think in terms of their own needs. It was our job to think in terms of the civilian economy, and make provision for it.

We haven't been able to give everybody everything they wanted.

Mr. LYNCH. Whose job is it now to allocate in the post-war period?

Mr. NELSON. In what way, sir? Because thinking in terms of the post-war, that is a tremendous subject.

Mr. LYNCH. Within the scope of this committee, insofar as unemployment is concerned, and insofar as industry generally is concerned.

Mr. NELSON. Taking construction equipment, for example, it is our job to think about the construction equipment that the civilian economy is going to need, and at the first opportunity when it can be done without hurting the Army and Navy in their war effort, we will divert some of that material. I know the problem of the construction industry: I have talked to many of them. I know what their feeling is. There is not enough equipment now to take care of the construction for the civilian economy. If there was a way to produce more, I would do it, but I do not know how to produce more at the present time without more facilities.

I have the very definite feeling, and I think the figures will prove it, that just the amount of that equipment in the pipe line—and by the "pine line" I mean the actual amount now being produced by the factories or in shipment, or waiting for shipment, or inventory of the Army and Navy located in the United States in addition to what industry can produce, will provide a surplus over what the civilian population will need after the war.

Mr. LYNCH. I agree with you the Army and Navy requirements come first above everything else.

Mr. NELSON. That is right.

Mr. LYNCH. I wanted to bring out whether or not the War Production Board was also looking into the question of post-war civilian economy.

Mr. NELSON. Very definitely, sir.

Mr. LYNCH. I am very glad to know that.

Mr. NELSON. That is one of Dr. Elliott's jobs. Any time you want to, Dr. Elliott would be very glad to explain to the committee just what he is doing in planning these programs, so we can take up the slack wherever it can be done.

Mr. LYNCH. I am very glad to know that the attitude of the Army and Navy is not the attitude of grab all, but just the attitude of getting all that is necessary for the prospective military and naval requirements.

Mr. NELSON. It is our job to see that they do not grab all, that they do not take more than they need, but I say if there is ever a doubt as to whether they need it or not, I would resolve it in favor of them.

Mr. LYNCH. Sure.

The CHAIRMAN. If I may emphasize that, Mr. Nelson, you would not want to be put in the position in this invasion of the armed services not having sufficient guns and tanks.

Mr. NELSON. No, sir; not when human lives are involved, and we have had to in many cases, over Dr. Elliott's protest, although I was in agreement with his policy, to cut down on essential things for the civilian economy in order to make way for essential things for the Army.

The CHAIRMAN. Mr. Worley?

Mr. WORLEY. On the question of civilian requirements, on the question of farm machinery, combines and farm tractors, could you give me briefly for the record the attention that has been paid to those requirements?

Mr. NELSON. Well, sir, I do not know of any program that I have paid more attention to, certainly no other civilian program that I have paid more attention to than I have paid to the requirements for farm machinery in the past year, because I felt that we needed more farm machinery. We have had a good production job on farm machinery. I will not apologize at all for the job we have done on farm machinery.

We have not produced everything that the farmer has wanted nor, in many cases, everything he has needed, but I honestly feel we have produced everything we could without interfering with the important war programs.

Let us take the combines. We had a production program also out for combines. Experience showed the Army needed more tractor-drawn artillery. Well, the one concern making combines had to discontinue their manufacture, badly as we knew the farmer needed combines in order to prepare the artillery. That had to be done. I know every farmer in the country would approve that even though he went short of the combine. There is not a farmer in the country that would not approve of the Army getting it, provided they were certain that the Army and Navy needed it badly.

Mr. WORLEY. Yes.

Mr. NELSON. That did interfere with the combines. We had interference with the tractor program in connection with the landing craft. One of our principal bottlenecks at the present time in the country is foundries, castings, gray iron castings, malleable castings, steel castings. It is the principal limiting factor in the making of a lot more tractors today, but we are doing a good tractor job.

We produced week before last 6,000 tractors. That is at an annual rate greater than anything we previously produced in this country. At an annual rate, that figures out somewhere around 312,000 tractors. The War Food Administration wants for next year 303,000 tractors. We have got those scheduled in 9 months. We have some 89,000 tractors that we can throw in that program and make that many additional.

There is some equipment that we have not done as well with, because of conflicts. By and large, when you look at the amount of farm machinery that has been produced in conjunction with all the war material of a rush nature that we needed—new weapons, more landing craft, more artillery, and more of a lot of things which the Army and Navy needed—I do not apologize for an instant for our farm-machinery production.

Mr. WORLEY. What do you think of the increase in farm machinery for next year?

Mr. NELSON. I think the rate at which we are going now, it will give us a greatly increased amount of farm machinery for next year.

Mr. WORLEY. That is not a post-war question, that is a present question.

Mr. NELSON. That is right; that is not a post-war question. I consider the food-production industry as an important industry, important for the war and important for the maintenance of the civilian economy, and important for the maintenance of the economy of the world, and certainly the farmer has to have the machinery to do it.

Mr. WORLEY. That is all.

Mr. ZIMMERMAN. We have transgressed, I think, on Mr. Nelson's time.

Mr. NELSON. I will be glad to come up again, Mr. Chairman.

The CHAIRMAN. Thank you, sir.

Mr. NELSON. The subject you are considering is very near and dear to my heart. I do not begrudge the time in talking to you about it.

Mr. ZIMMERMAN. Some time we will want to talk about the disposition of surpluses.

Mr. NELSON. I have nothing to do with the disposition of surpluses.

Mr. ZIMMERMAN. You know something about what is going on.

Mr. NELSON. Yes; I do.

Mr. ZIMMERMAN. That is what I want to discuss, but I do not want to go into it today. The question is, What are we going to do with some of these plants; are we going to close the tank factories down or continue to make tanks? I think we have got to keep on making airplanes, and we have got to keep on with our experimental work.

Mr. NELSON. We have certainly got to keep on with our experimental program.

Mr. WOLVERTON. I am sorry I had to answer the roll call, and I did not finish my questioning. I have in my mind that you have had a large part in the transfer from our peace economy to our war-production economy. Looking forward to the day when we go back into peace economy, my personal opinion is there is no one who is better equipped with the experience you have already had, now than you to handle that kind of situation. Is there any additional legislation necessary?

Mr. NELSON. I will be very glad, sir, to discuss that. If you would like to have me present to the committee what I think is necessary, I will be glad to do it, sir.

Mr. WOLVERTON. This committee has been set up, not only to make a study, to make recommendations, but we had thought it was incumbent upon us to suggest legislation.

Mr. NELSON. I shall be very glad to discuss that with you.

Mr. WOLVERTON. I wonder whether your powers as Director of the War Production Board are sufficiently broad to enable you to continue in the formulating of the peace economy, or whether it needs some supplement to the powers that you already have.

Mr. NELSON. I will be glad, sir, to give you a memorandum on that. It would take additional powers, not necessarily for me, but for the carrying out of the conversion; it does take some additional powers.

Mr. WOLVERTON. Is it your opinion that there is some legislation that is necessary or advisable?

Mr. NELSON. Yes, sir, I do; and I would be very glad to present you a memorandum on what I think is necessary.

Mr. WOLVERTON. The other question I had has already been touched upon. If my friend, Mr. Zimmerman, will not take the time to press it, neither will I.

I have a very great interest in the policy that is to be pursued with respect to the allotment of surpluses that are on hand between the large businesses and the small businesses; between those that go back into their old business, and those that will go into entirely new business, using the initiative that you speak of—

Mr. NELSON. That is right.

Mr. WOLVERTON. And as to whether there will be any distinction between those who participated in the war effort and those who did not. In other words, when you have only limited production in the early stages of our peace, I can realize there may be problems somewhat similar to what you had to decide in making your priorities and allotments.

Mr. NELSON. That is true, sir.

Mr. WOLVERTON. I would like to go into that some other time.

The CHAIRMAN. Mr. Folsom, I wonder if you have any questions.

Mr. FOLSOM. Just one question. I understand you have a number of industry advisory committees, such as the Automobile Industry Committee.

Mr. NELSON. That is right.

Mr. FOLSOM. With which you are discussing all the reconversion problems.

Mr. NELSON. That is right.

Mr. FOLSOM. Are any of them active besides the Automobile Committee?

Mr. NELSON. Oh, yes. We have activated them all, I think. There are many of them that I think are looking at this readjustment problem. There are many of these industries that have no great readjustment problem except the problem of getting business.

There are a lot fewer of them than we think. There is a relatively narrow field that we get into from the standpoint of basic industries that will have difficulty in getting back. Their problem will be that of getting business. For instance, the automobile tire industry has been practically reconverted to making tires.

True they are making the military sizes now, and they are making mostly military tires, but they will have no problem with respect to the tire production. I expect that we will have plenty of synthetic rubber and plenty of fabric. Their problem will be selling tires.

While a certain proportion of the textile industry has been diverted, they have not changed their facilities or their set-up. The textile industry will have the problem of making its own readjustment in the selling of its goods once the releases can be made. That is true of the agricultural implements production. Many of them have had to expand facilities or take on new facilities, but all the farm equipment industry needs is a release of materials and components to go ahead and make the machinery.

Your readjustment problem with respect to getting the industry back from war to peace is not as broad as most people think it is.

Mr. FOLSOM. I am glad you brought that out, because I happened to think of the automobile industry.

Mr. NELSON. The die maker has been making tools, jigs, and dies for the war. He does not have to reconvert, but he goes on and makes the other kind of machinery that may be required. When we release him from making machinery for war, he simply makes them for peace. That is true of many, many industries in this country.

The CHAIRMAN. Mr. Nelson, again I want to reiterate what we have already said, that the committee is very grateful to you for your very splendid statement and its contribution to the thinking of this committee.

Mr. NELSON. Thank you. I am at your disposal any time, Mr. Chairman, I think it is important, and I do not believe you should have any hesitancy in discussing what we are going to do in the post-war, or even when we are fighting the war, because it is highly important that this economy carry on, and one of the important things is I will assure you we will not let it interfere with war production.

The CHAIRMAN. I am sure we are all in accord with you on that.

I want to thank you again, Mr. Nelson.

The committee will stand adjourned until 10:30 tomorrow.

(Whereupon, at 12:10 p. m., the committee recessed to 10:30 a. m., of the following day, Thursday, June 8, 1944.)

POST-WAR ECONOMIC POLICY AND PLANNING

THURSDAY, JUNE 8, 1944

HOUSE OF REPRESENTATIVES,
SPECIAL COMMITTEE ON POST-WAR
ECONOMIC POLICY AND PLANNING,
Washington, D. C.

The special committee met at 10:30 o'clock a. m., in room 1304, New House Office Building, Hon. William M. Colmer (chairman) presiding.

Present: Representatives Colmer (chairman), Cooper, Worley, Reece, Welch, and Wolverton.

Also present: Marion B. Folsom, director of staff, and Dr. Kaplan, consultant, of the committee.

The CHAIRMAN. The committee will come to order.

We are glad to have this morning Dr. Charles C. Abbott from the Harvard School of Business Administration. Doctor, without any preliminaries on our part, we will be glad to have your statement.

STATEMENT OF DR. CHARLES CORTEZ ABBOTT, CHAIRMAN OF THE NEW ENGLAND COUNCIL, SPECIAL COMMITTEE ON THE FINANCING AND OWNERSHIP OF BUSINESS ENTERPRISE

Dr. ABBOTT. Thank you, Mr. Chairman. I would like to state first that although I am here as chairman of the New England Council, Special Committee on the Financing and Ownership of Business Enterprise, my remarks represent my own views and are not necessarily those of the committee. Perhaps it will facilitate matters if I do not read my entire statement but only the suggestions which I wish to lay before the committee. Will that meet with your approval?

The CHAIRMAN. With the understanding your statement will be incorporated in the record.

Dr. ABBOTT. Yes.

The CHAIRMAN. Without objection, that is so ordered.

Dr. ABBOTT. My name is Charles Cortez Abbott. I am an associate professor in the Harvard University graduate school of business administration. I am appearing here on the invitation of Mr. Folsom, director of your committee, in my capacity as chairman of the New England Council's Special Committee on the Financing and Ownership of Business Enterprise in New England. I have been asked to talk about the financing and ownership of business enterprise in the post-war period, giving particular attention to the position of smaller concerns.

In thinking about the financing and ownership of business enterprise in the period ahead, it seems to me that there are three matters of primary importance which are useful points of reference for this subject. The first of these is the rise of so-called institutional savings during the last 25 years, as shown by the increase in the assets of life-insurance companies, investment trusts, savings banks, and pension and retirement funds, including the various Government trust funds. The second is the very large amounts of liquid funds accumulated during the last 3 years or so by individuals, particularly by persons in the lower income brackets, and held in the form of currency, demand deposits, and Government bonds. The third is the disfavor into which ownership, as a business and economic function, seems to have fallen during the last 10 or 15 years, and the apparent disinclination of a large and perhaps a growing segment of our population to own a share of American business and assume the risks and responsibilities of ownership. I should like to comment briefly on each of these three points, since I believe they form important parts of this subject, the financing and ownership of business enterprise; and I would then like to go on to make such suggestions as I can for the consideration of the committee.

The absolute growth in what I have called institutional savings has been so great during the last 25 years that the significance of this kind of savings in the economy is quite different, and much greater, than was formerly the case. A few statistics will indicate the magnitude of this change.

In 1921 and 1922 the annual increases in the admitted assets of life-insurance companies were of the magnitude of 600 to 700 million dollars; by 1943 this figure had risen to 2,744 million dollars.

Deposits of mutual savings banks in 1920 were about \$5,000,000,000; by 1930 they had approximately doubled. During the 1930's such deposits declined slightly, if allowance is made for annual dividend payments; but in 1943 they advanced sharply by more than \$1,000,000,000—roughly 10 percent in a single year.

In 1943 the monthly averages of postal-savings deposits were around \$300,000,000, more than 10 times the comparable figures for 1920.

No reliable data are available on the growth of pension and retirement funds, but it is common knowledge that savings in this form have greatly increased during the last 20 years; and Government trust funds, which hardly existed in 1920, are now accumulating savings at a rate of about \$3,000,000,000 a year.

Two points seem to be of significance here. First, very large amounts of savings are not being invested in business enterprise by the persons who make the savings. Instead, the funds are turned over to institutions for investment. Second, the annual amounts of savings becoming available for investment in the hands of these institutions greatly exceed—if we disregard Government bonds—the amounts of new securities which, under the regulations and policies that govern the investment procedures of these bodies, annually become available for purchase by these organizations.

I should like now to turn to the matter of liquid funds—cash, demand deposits, and Government bonds in the hands of individuals.

There is reason to believe that in the 2 years, 1942 and 1943, savings of individuals have been in excess of the tremendous total of \$50,000,000,000, and that while 10 or 15 billion dollars has taken the form of

debt reduction and accumulations in insurance and pensions funds, the remainder—say \$35,000,000,000—has been accumulated in the form of currency, bank deposits, and Government bonds. The great bulk of this amount, perhaps 80 percent, has not gone into the hands of the wealthy, so far as I can determine. On the contrary, the bulk of this saving seems to have gone into the hands of persons in the middle and lower income brackets, into the hands of persons making \$5,000 or \$6,000 a year or less. That is, during the last 3 years or so a very large number of people have accumulated a stake.

The amounts of savings made by individuals during the war, the quantity of savings held by them in these liquid forms, and this sudden creation of a large class of small capitalists, are things quite unprecedented in the country's history. In my opinion the consequences of these developments, whatever they ultimately prove to be, will be as far reaching as any wartime occurrence in the field of business or economics. From my point of view it would be a most constructive development if some considerable portion of these funds should ultimately be invested in small local business concerns, largely in the form of equity investment.

Equity investment of course implies ownership, and as I have indicated, ownership of business enterprise unfortunately seems to have fallen into disfavor with a large segment of our population. Various pieces of evidence can be assembled in support of this point.

The rise of institutional savings which I have commented on is one such piece of evidence, since this rise appears to indicate—among other things—that many persons are not interested in being owners. The large amounts of liquid funds accumulated during the war also suggests that many people would rather hold cash than own a share of a business.

The sale of equity securities, particularly the sale of securities in blocks of \$500,000 or less, has been peculiarly difficult for 10 years or more. In many cases such sales have been all but impossible. It is generally admitted, I believe, that the obstacles that impede the sale of small blocks of stock issued by small concerns constitute one of the major bottlenecks in our economic system. But if more people were more anxious to be owners, I do not believe these obstacles would be nearly so great.

During the entire period 1900–1929 the annual increase in the number of stockholdings—which is the best index of the number of stockholders—appears to have fluctuated in the narrow range of 10–13 percent. That is, the dispersion of ownership of American business seems to have annually increased at the relatively constant rate of 10–13 percent. But since 1933 the average annual rate of increase, so nearly as I can estimate, has been only 0.4 percent. That is, the number of owners has ceased to grow. In a country with a growing population this check in the dispersion of ownership and the number of owners is not simply stagnation—it is retrogression. We seem to have had not only a relative but perhaps even an absolute decline in the number of people who are willing to own a share in American business—in the productive and distributive organizations that constitute the arsenal of democracy.

Even the decline in recent years in security loans made by commercial banks reflects in some degree, I think, this distaste for owning a share in business enterprise. As you know, the virtual disap-

pearance of the security loan has been one of the major changes in commercial banking during the last 15 years. Although security loans were greatly inflated in 1929, it hardly seems healthy for the economy that security loans in 1943 should have been only one-fifth of what they were 23 years earlier, in 1920—\$681,000,000 as against \$3,128,000,000 in 1920.

What I have said so far leaves us, I think, with these questions: How can a larger proportion of the very great amounts of existing institutional savings be induced to flow into business enterprise, particularly small- and medium-sized enterprise? What is necessary in order to make ownership of business firms more attractive and thereby induce some part of the very large liquid funds in the hands of individuals to assume the risks and responsibilities of ownership? To these two questions I think it is pertinent to add one other: What steps can be taken to the end that the admittedly great facilities of the banking system shall be more fully utilized by business concerns, especially small- and medium-sized concerns?

I do not have a program for solving these problems. But I do have a number of suggestions that I am happy to place before the committee for its consideration. Before doing so, however, I wish to say that in my opinion these problems are not of such a nature that they can be solved by any one single action, such as the creation of a new lending agency or the adoption of a new regulation by the Comptroller of the Currency or the Federal Reserve System. In order to cure these problems I believe it is necessary that they be broken down and attacked piecemeal, through a series of remedial measures.

I have seven suggestions which I would like to place before the committee for its consideration.

1. That security dealers—particularly dealers in local, unlisted securities—and commercial bankers and other types of financial institutions, be encouraged to improve the local market for the unlisted securities of local firms.

The reason for this suggestion is clear. So long as the securities of a considerable number of well-established firms with good earnings records commonly sell at less than their net quick assets per share, it is clear, first, that such concerns will obviously have great difficulty in raising additional equity funds when needed; and, second, that equity money for new undertakings will be virtually impossible to obtain.

I might give you an example. A friend of mine recently was offered some bank stock, 50 shares of bank stock in a small Connecticut bank. There was no bid anywhere for the bank stock. He inquired as to what its book value was, which was about \$120 a share. Its book value net of real estate was about \$90 a share. The stock had paid \$2 a share for many years and had within the last 4 or 5 years gone to a \$4 dividend basis.

My friend did not wish to buy the stock, but in order to help out the seller he bid 50 and after the seller tried for a week to get another bid, which he was unable to do, he sold the shares.

Now, I submit that as long as bank stocks, primarily represented by Government securities, are selling on that basis in that local area it is virtually impossible for any other concern, whether a bank or any other type, to raise additional money through the sale of stock.

It is also most difficult for any new company to get started when that situation exists.

I could give other examples, but I do not wish to take the committee's time.

2. That commercial bankers be encouraged to be ingenious in finding ways or means to make bankable credits that do not, at first glance, perhaps, appear to be prime credits; and that commercial bankers be particularly encouraged to develop even further than they have techniques of administering credits, servicing loans, and following loans which they have made to the end that their borrowers make money and the quality of the bankers' earning assets improve. After all, no loan ever went really sour so long as the borrower was making money.

I might give another example here, sir. A New York banking friend of mine the other day told me with great pride that after 3 weeks' work on trying to plan a deal he had at last found a way to lend \$1,000,000 to a small concern that had a net worth of \$35,000. I think the point of that example is that it took 3 weeks' steady work by a man who, in my opinion, is extremely competent, to find ways whereby that credit could be made bankable on a safe and acceptable basis.

I can cite other examples. There is the example of a little banker up in Merrimac Valley whom I know who has spent a great deal of time in developing a particular kind of participation loan which is a very useful device both for him and for the local concerns.

He has two varieties, one whereby a piece of business is participated in by the commercial bankers in the Merrimac Valley, and second, in cases where the piece of business is of such a nature that the maturities are longer than commercial bankers can safely take, he has worked out methods whereby savings banks take the long maturities and the commercial banks take the short maturities.

Both of those instances indicate what I mean by being ingenious in finding ways to finance desirable pieces of business originating from small concerns.

3. That in the case of fiduciary institutions—savings banks, insurance companies, building and loan associations, trust funds, etc.—consideration be given to the desirability of relaxing, as regards, say, 5 percent of the earning assets of each such institution, the regulations that control the investment of their funds. The purpose of this suggestion would be to put a larger proportion of what are called institutional savings at work in business enterprise providing jobs. Such relaxation might be made in any one of a number of ways. For example, all restriction on investment of the assets of fiduciary institutions might be waived up to 5 percent of the total assets of each institution. Or the "prudent man" rule of investment might be made applicable to 5 percent of the assets of each institution, leaving the remaining 95 percent bound by existing regulations. Or a group of savings banks or building and loan associations in a particular State might be permitted to invest 5 percent of their assets in a fund administered by savings banks or building and loan association officers, but administered under somewhat less rigorous standards than prevail as regards the investments of the individual banks.

I realize that suggestions such as these mainly fall in the area of State action rather than in the orbit of Federal action, but nevertheless I include them as being of possible interest to the committee.

4. That consideration be given to existing Federal bank examination policies and practices, and particularly to the effects which existing practices have on the flow of capital and credit into business enterprise.

As you know, bank examination covers a multitude of matters—commercial loans, mortgages, investments, the quality of individual items, the proportions of different types of bonds in bond portfolios, the pattern of maturities of the bonds, accounting methods, loan and investment procedures, the diligence of the officers and directors, and many other matters. It is reasonable to suppose, I think, that such thorough examinations exert a considerable influence on banking policies and practices.

In the post-war period I believe we will have a considerable need for so-called character loans and for medium term industrial mortgage credit. Credits of these two types have not been particularly popular in recent years, and I believe it to be most important that examination policy and practice—within the proper limits of safety—encourage the type of lending which society needs.

5. That efforts be made to encourage the establishment of local organizations, operating on a State or regional basis, which will have the best possible financial and business sponsorship, and which will concern themselves with—

(a) Showing businessmen, particularly small businessmen, how to prepare financing plans and proposals in such a way that these plans or proposals will be realistic and of a character to interest financing institutions; that is, these organizations will do the preliminary spade work in setting up a financing proposition; and

(b) Directing businessmen to the type or types of financing institution most likely to be interested in such proposals; and

(c) Assisting owners, or owner-management groups, who wish to sell out, in discovering strong buyers who are interested in operating rather than in liquidating properties.

Let me speak briefly on some of these points.

I believe that it would not be possible to administer effectively an organization such as is contemplated on a national scale, and thus I suggest that the proper form of organization is a local or regional basis.

In my observation, the success of any type of financial institution is very largely determined by the character of its sponsorship, and thus it seems to me essential that organizations of the type proposed should have the best banking and business sponsorship obtainable. Furthermore, in order that local confidence be obtained and knowledge of local conditions be utilized, this sponsorship should be by men known in their local communities and familiar with local conditions. In passing, I should like to point out that the men who might be expected to have the greatest immediate interest in the welfare of local business firms are the commercial bankers, security dealers, railway and utility-company executives, retailers and hotel men in the local communities, and that sponsorship of the type desired might well be sought from such sources.

Furthermore, it has been my observation that many small or new companies, seeking financing, typically have considerable difficulty in interesting sponsors who have a first-class reputation in the business and financial world. As a result, such concerns commonly suffer hardships, tangible and intangible, that larger concerns do not encounter. This suggestion is designed to provide small and new firms with better connections and backing than they are now generally able to obtain.

Finally, I wish to point out that many businessmen who run small companies, concerns where there are only two or three executives, usually are primarily production men or salesmen rather than financial people. Consequently, such businessmen often are not as familiar with financial matters as they are with other aspects of their business. Thus this suggestion is aimed at providing assistance at the point where the small- or medium-sized businessman is often least well equipped.

6. That ways and means be explored whereby the clearance of a prospectus with the Securities and Exchange Commission might be made less onerous, particularly in the case of small and medium-sized issues of securities. Careful attention, I believe, should be given to the desirability of lifting the exemption limit from \$100,000 to \$500,000 or even higher, even though I realize that the opportunities for fraud might thereby be increased.

In this connection I should like to make three points. First, it is generally agreed, I believe, that the difficulties encountered in raising capital funds in amounts in the range from \$25,000 to \$1,000,000 constitute one of the major bottlenecks in the economic system, and any measure which gives promise of easing this bottleneck deserves to be most carefully considered.

In the second place, companies which wish to raise capital in amounts of \$25,000 to \$1,000,000 are typically companies run by one to four men—at most, six men in the case of the larger companies. For a three- or four-man company, compliance with the law is an entirely different problem from what it is in a company with a larger executive force, whether we talk about security regulation, taxation, price control, or any other sphere of Government regulation. The burden of compliance is disproportionately heavier—often much heavier—in the case of a three- or four-man company than it is in the case of a larger concern.

In the third place, the record of securities issued and deals done in compliance with the law tells only half the story. It does not and cannot tell the story of deals done—not in evasion—but in avoidance of the law, or the story of prospective deals that were abandoned because it was believed compliance would constitute more of a drain on executive time and energy than the company could stand.

Some years ago, sir, I made a small collection of security deals done in what I considered to be laborious and tortuous ways, to come within the limits of this \$100,000 exemption.

There are numerous ways to split a piece of financing: Between 2 fiscal years, or 2 calendar years, \$100,000 in 1 year and \$100,000 in another, although this seems to be palpably bad practice; to issue \$100,000 or less on an interstate basis and the balance of needed money on an intrastate basis, thereby getting an exemption; to issue on an interstate basis up to \$100,000, the balance of the money to be

obtained through so-called private placement with an insurance company or group of insurance companies.

I could cite examples of the effect which the tax laws have on the pressure toward debt financing rather than equity. I know you are familiar with those. I think this matter of the influence which these two kinds of regulation have had on the way in which money has been raised, and the forms of capital structure which result therefrom, is most serious.

I am also aware that it is extremely hard to find records of proposed financing which was abandoned because of the difficulties, real or imagined, of clearing a prospectus. I know of a few myself. But typically, security dealers and businessmen do not wish to talk very much about those things and it is, I think quite hard to get any impressive record, although I believe there are a good many cases which exist.

7. That in studying the financial problems of individual business firms during the transition period these problems should not be appraised independently of the removal of the controls on the flow of materials through the economy.

It is clear, I think, that if, as war work declines, individual companies are not able to return to civilian production because they are unable to obtain raw materials to chew up, no amount of financial assistance, whether public or private, will solve their problems.

I have made no suggestions about taxation, since I have no special competence in that field. But I think it is clear that the present structure bears extremely heavily upon owners and substantially contributes to making ownership unattractive in the eyes of many persons. Reform and simplification of the tax system would certainly make the position of owners much easier, even if the financial burden imposed on them were not reduced to any great extent.

The CHAIRMAN. Are there any questions?

Mr. FOLSOM. I thought you might indicate very briefly some of your background for these suggestions—the study you have made of small business in New England.

Dr. ABBOTT. These suggestions arise, sir, you might say, from three lines of inquiry. For the last 12 months or more I have been doing a considerable amount of research work for the Harvard Graduate School of Business Administration in this particular field, and I have published four short reports on the financial problems of business during the war and in the immediate post-war period. I have also been on the research staff of the Committee for Economic Development and I have filed with the committee a manuscript dealing with that subject.

Thirdly, since the first of the year I have been chairman of the New England Council Committee on the financing and ownership of New England business enterprise, and that work has brought me into contact with a good many small businessmen. Most New England businessmen are small businessmen and I have come in contact with a good many bankers and security dealers and businessmen in the New England area.

The suggestions which I have just laid before you are a result of conclusions which I have come to in connection with my work in these three areas.

Mr. FOLSOM. Do you think that the Government should set up any machinery for furnishing capital to these small companies, or do you think it ought to be left entirely to the private banking and investment system?

Dr. ABBOTT. Well, sir, I am quite dubious about the desirability of the Government coming into this field for a number of reasons.

During the last 10 years we have had quite a good deal of experience with Government lending in the field of business. If we set aside the salvage operations, which I think fall into a special category undertaken by the Reconstruction Finance Corporation, the Government has never been able to place enough money in the field of business lending to really make any difference. I think if you examine the figures you will see that the total amount of business loans made under section 13 (b) of the Federal Reserve Act, by the Reconstruction Finance Corporation and even by the Smaller War Plants Corporation is an almost insignificant fraction of the total amount of business lending made by private institutions. I see no reason to suppose that in the future a Government lending organization would have any greater degree of success than we have had during the last 10 years.

In the second place, I know a considerable number of businessmen, more especially small businessmen, who are quite willing to admit that they are undercapitalized, that they need more money, that they would get along better if they had more capital and that probably they would make a greater return, but they are unwilling to borrow from any of the existing Government lending agencies. I see no reason to suppose that those men would change their minds simply if there was a new agency created.

In the third place, I am quite skeptical, in view of our experience of the last 10 years, whether it would be politically feasible for any Government lending agency to lend or to supply equity capital on terms that would be acceptable to many of the small businessmen. I feel that if men will not borrow they would be even more hesitant about taking a Government agency into partnership with them.

Mr. FOLSOM. You do not think the Government should get into it. What do you think is the prospect of local groups being formed in these local communities to help provide equity capital to these small concerns that want to expand?

Dr. ABBOTT. I think there are a great many persons, certainly in the local community I know about, who would be very much interested in undertakings such as I have outlined, more specifically if they felt they were having encouragement in their efforts from the Federal Government in some respect.

Mr. FOLSOM. What definite encouragement? It does not seem to me it could really cover the whole situation if we only let up on the S. E. C. regulations. Many small concerns come below \$100,000 limitation.

Dr. ABBOTT. Yes; that would be so.

Mr. FOLSOM. You are not worried about the S. E. C. in that respect?

Dr. ABBOTT. I think one of the great difficulties with the very small issues is the fact that practically no market exists for outstanding issues of small concerns.

Mr. FOLSOM. There is not much Congress can do about that, is there?

Dr. ABBOTT. Not in the way of legislation, I think. But I think an expression of intent or desire might have a very considerable effect

in local areas. I think it would be beneficial if local businessmen and bankers were given some kind of an indication that Congress wished them to move in this general direction. I am not talking about legislation, I am talking about a little encouragement.

Mr. FOLSOM. That would take the form of changing tax laws more than anything else, wouldn't it?

Dr. ABBOTT. Tax laws will be a very considerable help but I think other things can be done in addition. I said in my prepared statement this is not a program which I have attempted to lay out, it is merely a number of suggestions.

Dr. KAPLAN. I wonder, Congressman Colmer, whether Dr. Abbott could sum up this question which seems to have been left in this form, that small business is in need of relief but it does not want the Government to do anything about it. Well, what is the issue: Where does something have to be done in which the Federal Government can participate other than a pious wish that small business get along? After all, there are some very serious questions as to whether the Smaller War Plants Corporation, for example, should have its power extended or its powers limited or how far it is going into the buying and selling of business or into the expansion of business. I think an expression from business itself is just as important as any expression from Congress.

What would you consider if their expression, that is from business, would be, what it wants or what it needs in the way of help?

Mr. ABBOTT. I think you have two questions there, sir, if I may answer them one by one.

In the first place, I believe this matter of the future welfare of small and medium-sized business which we are discussing here this morning is a matter of extreme importance. I do not believe that the present situation can be alleviated by any one single mechanism or statute. I think the various problems must be broken down and treated piecemeal through a series of remedial measures, of which taxes would be one and the improvement in the market for local securities would be another, a change in the regulations for S. E. C. prospectuses would be a third, and I have so indicated.

What I have said is by no means a complete list of the things which I think should be done to correct certain of the existing difficulties. It seems to me it is a matter which has to be worked on from various angles, with this step here and that step there.

Your second question is, What kind of an expression of opinion can business give? I do not quite know how to answer that. There are many business associations—the Smaller Businessmen's Association, the National Association of Manufacturers, the chamber of commerce, and trade associations. You might ask, I suppose, each such association for a program. How valuable the answers would be, I do not know. Nor do I quite know how you would get business to speak as a unit, because business is made up of many diverse interests, as you know.

Mr. WOLVERTON. I regret I was not able to hear all your statement, but the part I have heard and the questions that have been asked have created some thought in my mind.

You do not seem to think that there is any legislation needed but that it could be accomplished by an expression of good will, I would take it, from the Government or from businessmen.

From a practical standpoint, I do not see where that will raise capital. If you got it from a local source, it would probably have to be the local bank. The local bank is interested in security for the loan that it makes. During the war the effort of small businessmen, as well as large, has been greatly facilitated by the guaranties that the Government has given to banks in making loans of that kind for that purpose. It would seem to me that you would have to have something more substantial than a mere expression of good will, either from the Government or business, before the capital would be advanced.

What have you to say about that?

Dr. ABBOTT. Sir, if I might make a distinction between credit and capital, meaning by capital long-term financing—

Mr. WOLVERTON (interposing). I am speaking of loans that would cover both phases that you now mention.

Dr. ABBOTT. Well, sir, if I might speak first to the point of long-term financing, meaning thereby stock or bond financing, of course, the banks cannot own stocks. The proper people to own stocks of small concerns, I believe, are the individual citizens in local communities where those concerns exist and there is admittedly in the country at the present time a very large amount of liquid funds in the form of currency and demand deposits not invested.

Mr. WOLVERTON. That is all true. They are not going to release that money without some assurance that the loan will be repaid.

Dr. ABBOTT. I was speaking to the point of equity financing, sir. I think that is the proper place from which equity financing should come.

Now, as to loans and bonds, by and large, I think I am correct in saying that under the present system of banking examination it is extremely hard for any bank to own the bonds of a small local concern or even a large local concern, primarily because of the use which the bank examiners make of bond ratings as issued by the individual investigation services.

I think the present situation is that a bank in order to buy a bond must find that it is rated, as I recall, better than B. A. A., by two of the three services, and I would point out to you that these services are private services.

Now, these private services are unable, since it is not profitable for them, even to issue ratings to small issues. I do not know what the minimum is, but I have a feeling it is around half a million or a little less. They do not have enough demand for anything below that.

Under those circumstances a bank simply cannot buy a bond of a small local concern if the bond issue has no rating. At least, that is my strong impression from talking to many bankers.

In the State of Maine at the present time I am credibly informed that no Maine bank can own any bonds of any railroad in Maine. Now, there are probably some bonds of the Maine railroads which banks should not own, but if the Maine banks cannot buy Maine railroad bonds I do not know whom we can expect to buy those bonds.

In the case of credit loans, I think two things are involved, sir. I think, first, that there is plenty of lending power in the banking system if the bankers wish to make use of it.

Mr. WOLVERTON. If they wish to make use of it? A banker always wishes to make use of it. The only difficulty comes in in making use of it so that he can be assured it will be a safe investment for the bank.

Dr. ABBOTT. I am not sure that I entirely agree with you that bankers are always eager and ingenious in making use of their lending power.

Mr. WOLVERTON. Maybe my limited experience in the banking field does not enable me to express an opinion as positively as I have, but such experience as I have would certainly encourage me to make the statement that I have, and forcibly, as I have.

Dr. ABBOTT. My impression, if I might go on, is that we have an adequate lending power. We have a very wide range of different kinds of financial instruments and arrangements and it is my feeling that, if a loan officer is diligent and ingenious, he can usually find a way to do the deal.

Mr. WORLEY. Without assistance from the Government?

Dr. ABBOTT. That is right, sir.

The CHAIRMAN. We are very grateful, Dr. Abbott, for your statement. I am sorry, but due to the fact the House is in session, we are all anxious to get away.

Thank you very much.

The committee will meet again on June 13, 1944.

(Whereupon, at 11:40 a. m., the committee adjourned until June 13, 1944.)

POST-WAR ECONOMIC POLICY AND PLANNING

TUESDAY, JUNE 13, 1944

HOUSE OF REPRESENTATIVES,
SPECIAL COMMITTEE ON POST-WAR
ECONOMIC POLICY AND PLANNING,
Washington, D. C.

The special committee met at 10:30 a. m. in room 1304, New House Office Building, Hon. William M. Colmer (chairman) presiding.

Present: Representatives Colmer (chairman), Cooper, Zimmerman, Voorhis, Lynch, O'Brien, Fogarty, Worley, Fish, Gifford, Reece, Welch, Wolverton, and Dewey.

Also present: Marion B. Folsom, director of staff, and Dr. Kaplan, consultant, of the committee.

The CHAIRMAN. The committee will come to order.

We have with us this morning Maury Maverick, who needs no introduction to this committee. He is a former Member of the House, presently serving as Chairman of the Smaller War Plants Corporation. Mr. Maverick is particularly interested in the problems of the small businessman. We are all interested in that.

Mr. Maverick, we are glad to have you here this morning. Our custom in this committee is to permit the witness to make a statement and then we interrogate him. However, the time is yours and we hope you feel free to conduct yourself as you desire and we know you will do that anyhow.

STATEMENT OF HON. MAURY MAVERICK, VICE CHAIRMAN, WAR PRODUCTION BOARD, CHAIRMAN, SMALLER WAR PLANTS CORPORATION

Mr. MAVERICK. You gentlemen compose one of the most important committees in the entire Congress. Your committee represents a landmark in democratic legislation. Upon you depends the formulation of policy to guide the Nation during reconversion. In looking over the list of members of the committee, I find many old friends—and new friends. And it is reason for encouragement to note that this vital committee includes so many leaders of both parties; for indeed, post-war planning is a nonpartisan responsibility.

We must plan now for what is to come with the end of the war.

We must plan to see that the soldiers who return will have a fair chance.

We must realize that if we want a free enterprise system and an unplanned economy we must plan for them.

Thus, in the very midst of this invasion, and while we shall give it every support, at the same time we will prepare for the future.

TESTIMONY PRINCIPALLY DEVOTED TO SMALL BUSINESS AND FREE ENTERPRISE;
DIVIDED IN SEVERAL PARTS

Mr. Chairman, my testimony will be devoted principally to small business, or, I might say, free enterprise. Small business can exist only where free enterprise is guaranteed. And this is not an attack on big business. Any honestly conducted business, however big, which does not indulge in unfair discrimination, or any unfair practice, and does not violate the Sherman Antitrust Act is also entitled to encouragement and good will from the Government of the United States.

Naturally, however, I shall emphasize little business, since I am Chairman of the Smaller War Plants Corporation and charged by Congress with the duty of aiding small business.

DISCUSSION DIVIDED INTO SIX PARTS

I will discuss the following points:

- I. Contract terminations.
- II. Disposal of surplus property.
- III. Resumption of civilian activities.
- IV. Financial problems.
- V. The taxation of little business.
- VI. Patents and technological information.

By following this outline we can develop an orderly and relevant presentation of the problems of small business. I proceed:

I

CONTRACT TERMINATION

The most immediate problem confronting American business, large and small, is contract terminations.

SMALL BUSINESS NEEDS SPEEDY, FINAL SETTLEMENTS AND FINANCIAL AID IN
RECONVERSION PERIOD

It is not difficult to state the needs of small business in this field. When contracts are terminated small business needs speedy, final and fair settlement of its claims. It needs prompt removal of war materials and machinery from its factories. It needs, in many instances, some form of financing during the period between the termination of the war contract and the settlement of the claim.

The contract termination bill has not been adopted yet, but it has passed the Senate, and substantially similar versions have been approved by your committee, the House Judiciary Committee, and it has been reported out by the House Rules Committee.

In at least two respects I fear that this bill does not adequately safeguard the interests of small business. It does not protect subcontractors whose primes go broke; at least, the protection is not mandatory. And in the event of mass termination of war contracts it does not provide adequate interim financing for small subcontractors.

SMALL BUSINESS NOT PROPERLY PROTECTED IN SUBCOMMITTEE

Many small businessmen have felt compelled for patriotic reasons or because no other work was available to undertake subcontracts for concerns other than those with whom they were accustomed to do business. In certain instances the credit standing of these prime concerns was not good. It is a foregone conclusion that some of them will go broke when their contracts are terminated.

To remedy this situation, I advocate enactment of legislation by Congress directing the purchase by the Smaller War Plants Corporation of the claims of subcontractors whose prime contractors or higher tier subcontractors become bankrupt and the payment of a full and fair compensation therefor.

I am convinced that only by such purchases will complete justice be done. The cost to the Government will not be large, and the benefit to small businesses will be enormous. An interesting byproduct will be the assistance it will give the procurement agencies in placing new war contracts. Once relieved of this fear of loss by failure of the primes, businessmen will be much more willing to participate in war production. It will bring national confidence.

The problem of furnishing war contractors with funds to replace the money tied up in inventories and accounts receivable during the period after termination of their war contracts, and prior to the settlement of their claims, is a very difficult one.

The contract termination bill seeks to solve this problem two ways. One, is by authorizing substantial partial payments (to be treated as loans in the event they turn out to be excessive.) And two, by authorizing the services to guarantee bank loans based on termination claims in a manner similar to the guaranteed V-loans made for war production.

THERE EXISTS A MILLION TO TWO MILLION WAR CONTRACTS

There are over a million, and some say 2,000,000, war contracts in existence today. Obviously, if a large number of these contracts are canceled, there will be an enormous number of individual cases where financial assistance will be absolutely essential. I am not satisfied that this need can be met by a system which relies on individual scrutiny and guarantee of loans. I can't see how the little fellow is going to get aboard this band wagon when the rush starts.

GOVERNMENT INSURANCE, LIKE FEDERAL HOUSING ADMINISTRATION, COULD BE ESTABLISHED FOR LITTLE BUSINESS LOANS

To deal with this possible emergency, I advocate establishment of a system of Government credit insurance which I will discuss in greater detail at a later point.

II

DISPOSAL OF SURPLUS PROPERTY

The surplus property problem is also of most urgent and grave importance. Because of its vastness, it appears only natural that at the present time accurate information hasn't been compiled as to the

amounts or kinds of surplus property that are available or will be available at the end of the war. But there is reason to believe that huge quantities of such property will be available.

The methods of disposal will profoundly affect the life or death of thousands of little businesses. Indeed, it will affect our entire economy; our way of life.

LITTLES MUST BE PROTECTED, OR THE BIGS AND SPECULATORS WILL MUSCLE IN AND GET IT ALL

Small business must be protected in this as in other fields. Otherwise, it is a foregone conclusion that the bigs will get whatever benefits there may be. As usual, the little fellows will be left holding little empty peanut bags.

There are a few general provisions which should be made a part of any legislation ultimately adopted to deal with the disposal problem. I suggest the following five principles?

1. Any bill dealing with the subject should require that all surplus property be disposed of in lots small enough to assure the participation of small business in all purchases. This should be specifically required in clear and emphatic terms.

2. The widest possible advertisement of all sales should be required. Rules and regulations governing such advertisements should provide ample notice to small business.

3. Liberal credit terms and leasing provisions should be used in order that small producers may participate in all purchases.

4. Smaller War Plants Corporation should receive at least 15 days' advance notice of all proposed sales and the terms and conditions thereof. It should have time to pass this information on to small concerns which may be interested. At the same time it should have the opportunity to object if the terms and conditions are not fair to small business.

5. Subject to the over-all control of a surplus-property administration, Smaller War Plants Corporation should be authorized to acquire and distribute surplus property among the small business concerns of the country.

As time goes on we will find specific situations in which the interests of little business are not being properly protected. I hope that this committee will continue to function so that such matters can be called to its attention from time to time and appropriate legislation suggested.

III

RESUMPTION OF CIVILIAN ACTIVITIES

At some time civilian production must be resumed in this country. The only considerations involved are when and how. However, these have not been discussed sufficiently because the military authorities have believed it might in some way weaken the invasion.

In some spots pools of idle labor exist, and for certain types of manufacture materials are available.

POSITIVE STEPS SHOULD BE TAKEN TO BRING TOGETHER AVAILABLE MANPOWER AND MATERIALS FOR CIVILIAN PRODUCTION

Positive steps should be taken to put these materials and manpower together, and produce some things to meet civilian requirements. Hundreds of small plants exist that can do this, and without detriment to the war effort.

I am bound to report that all suggestions by this corporation or by me, made on behalf of small business and for the use of this surplus labor and materials, have been turned down.

PLAN FOR RESUMPTION DOES NOT EXIST

So far as any long-range plan or policy for releasing war controls and permitting resumption of the manufacture of civilian goods, it simply does not exist. Nor can I see any indication that such a policy will be developed and adopted by the war agencies until the emergency of reconversion actually hits us. In such a situation, as usual, small business will suffer. Of course, all business will suffer. Little business always suffers most when there are no plans and no rules.

At this point, I want to include in the record an editorial appearing in the *Baltimore Sun*, June 6, 1944. I offer it not in criticism of Congress but rather to point out again that the Nation is looking to Congress for leadership in the matter of reconversion.

STALLED PLANS FOR A RECONVERSION PROGRAM

Several weeks ago Messrs Bernard M. Baruch and John M. Hancock, authors of the famous reconversion report, dissolved their advisory unit within the Office of War Mobilization on war and post-war economic adjustments. There may be nothing particularly significant in this. Perhaps, as Mr. Baruch has suggested, they felt that the unit had completed its work. But it is now known, that at the same time they presented Office of War Mobilization Director James F. Byrnes a letter vigorously criticizing Congress and certain executive agencies, notably the War Production Board, for continued delay in adopting effective reconversion plans.

On the face of the record, as available to the lay observer, such criticism is well justified.

The Baruch-Hancock report was submitted back in mid-February. Among the most urgent recommendations was one for "the immediate preparation" of an "X-day reconversion plan," a program to be put into effect on the day of German collapse. The sooner this could be prepared, the better, for essentially the same procedure could be followed in applying any "cut-backs" in production possible before that day. It is apparent now that no such plan has been prepared. In fact, it was not until 3 months later, when the Baruch-Hancock letter was written, that War Production Board Chairman Donald M. Nelson finally assigned the task to a special group of his associates. And meanwhile the Brewster stay-in strike has shown the danger of further delay.

If an X-day—an advance reconversion—plan had been ready, cancellation of the Brewster aircraft contract could have been accompanied by an orderly program for redistribution of the Brewster workers to other war plants in the same general area still suffering from labor shortages. Instead, when the workers staged their demonstration, a frantic scramble was begun to find what the military procurement agencies said they did not need—and perhaps ought not to be found—new contracts for that particular company. The War Production Board and the War Manpower Commission simply were not ready to follow up the cancellation in efficient manner.

Congress, for its part, has done little to aid the executive agencies in this matter. The Baruch-Hancock report urged repeatedly that Congress has a re-

sponsibility to lay down policies for and give legislative status to the officials who must handle reconversion problems. The Senate Post-War Planning Committee itself noted even earlier than the executive agencies could scarcely make final plans until they had a "pattern of legislation"; that it was "imperatively necessary" to establish such a pattern "at the earliest possible moment." Yet to date not a single measure in the field has been enacted.

Even the contract-termination bill, rated the most urgent and lifted out of a more comprehensive bill for speedy action, has been passed only by the Senate and still remains in House committee. No other current reconversion bill has been brought to the floor of either house.

The time grows shorter with each passing day. Mr. Nelson has admitted that August "might be the best guess" for the "turning point," the shift of emphasis once again toward increasing civilian production. Now that the assault on north Europe is under way, the prospect of X-day, though unpredictable, is definitely on the horizon. Mr. Byrnes should have much to say when he appears next Monday before the Senate Post-War Planning Committee.

FIVE PRINCIPLES OF THE RECONVERSION OF LITTLE BUSINESS

Now I suggest the following as basic principles in the resumption of civilian production of little business:

1. Because of the emergency created at the beginning of the war, small business suffered unduly. We must focus our attention on its problems at this time to make sure that its needs are not again forgotten.

2. In general small business can be permitted to resume civilian production without the heavy drain on materials and labor which large business would impose. Small business is therefore the logical candidate for prior reconversion.

3. Small business is more flexible than big business. Moreover, if necessary, it can promptly return to war production with a minimum of delay.

4. Allotments of material for civilian production to small producers must be made large enough to ensure profitable operations. A uniform quota using some arbitrary percentage of pre-war production can never be adequate or fair. There is no point in permitting a man to open his business and operate it a short period if bankruptcy is to be his reward.

5. Quotas should not be based on percentages of pre-war business. Such quotas—known as grandfather clauses—are a first step toward forming American business into cartels and monopolies. All cartels seek to maintain their preferred position by use of quotas. Let us fight vigorously against any procedure which tends to encourage cartels and stifle free enterprise in America. Furthermore, such quotas eliminate new business, and new business is an integral part of American economy and must be protected.

IV

FINANCIAL PROBLEMS

Where financial matters are concerned, I would like to offer the following as a basic American economic philosophy.

Small business is entitled to the same financial facilities and the same financial service as big business. It is the duty of government to see that such facilities and service are provided by stimulating private financial institutions if possible and by direct governmental action if necessary.

SMALL BUSINESS DOES NOT NOW ENJOY EQUAL FINANCIAL PRIVILEGES WITH BIG BUSINESS

However, small business does not have such facilities and services at the present time. Nor can we expect our financial institutions to furnish such facilities and services under present circumstances.

Our banks and trust companies are the largest single sources of credit for industrial enterprises, both large and small. The credit which they supply, however, is in general only short-term credit. This is right and proper, since their assets should always be kept in liquid form to meet the possible demands of their depositors.

But even in this short-term field, the big industries get considerably lower rates of interest along with other advantageous terms. Often little concerns get no credit at all.

Our banks and trust companies do not, or at least should not, furnish any appreciable amount of intermediate or long-term credit, or equity-capital financing.

FINANCIAL FACILITIES ARE ALMOST ABSENT FOR LITTLE BUSINESS

The fact is, and it is a matter of common knowledge, that there is almost a complete absence of financial facilities for small business in the intermediate, long-term, and equity-capital fields, except as these requirements are supplied by the investment market. In other words, small as well as large firms must generally secure funds of this type by making a public issue of bonds or stock.

A myriad of troubles beset the small businessman who attempts to secure financing in this manner. His name and financial record are not such as to attract the investing public. The amount of money which he requires is too small to justify the overhead expense involved in qualifying his securities before Government authorities and selling them to the public. It frequently happens that the general public's attitude toward the securities market is such as to prevent a favorable reception of the stock or bonds which he has to offer.

This lack of intermediate, long-term and equity-capital financing facilities has been with us for a long time and, unless steps are taken by Congress, such tendencies will continue. Furthermore, it will be in evidence during the reconversion period, and just at the wrong time. Then small businessmen will need money badly and in a hurry.

Some will need it to reconvert their plants to their former civilian lines. Many will wish to exploit technological processes developed during the war. And in almost all instances the demand will be for intermediate, long-term or equity-capital financing.

In this we must plan now—this is a job of hurry up post-war planning.

NATIONAL INCOME MUST NOT DROP WITH PEACE

We must not forget another factor. We all believe that the national income should be raised from the pre-war level of \$80,000,000,000 to somewhere near the present \$150,000,000,000 level. This cannot be done without an enormous capital investment. Business must have available capital if it is to have the tools with which to produce its share of this income.

WE MUST BE BOLD AFTER WAR, OR WE WILL LOSE OUT AS A NATION

I have no miracle-working plan to offer which will suddenly solve all the varied financial problems of small business. I suspect that all previous financial techniques must be used—but many new ones invented. We must be bold. If we are not bold, the country may suffer seriously enough to greatly alter our form of government.

Two ways occur to me, which could be used to help in this situation and might go far in the right direction.

The first of these methods would be a credit insurance plan similar to that in use by the F. H. A. but adapted to the needs of small business.

The second would be a small business financial corporation similar to that recently presented to the Canadian Parliament by the Minister of Finance.

As to the first point, I have mentioned credit insurance before as a possible means of assisting small business and the small banks of the country through the difficult contract termination period.

By credit insurance I mean a system where qualified banks can automatically insure all or a percentage of all of their loans of a given type and size with a Government or other insuring organization. Such a system operates on the principle of spreading the risk and paying losses from resources built up out of small premiums. It does away with the necessity for individual examination of loans by the insuring organization.

While such insurance would be peculiarly adapted to the mass production of loans which may be necessary in the termination period, the success of the F. H. A. in using such insurance to strengthen all types of mortgage loans inevitably points to the fact that it can be used extensively and successfully in the small business fields.

INSURANCE SYSTEM DESIRABLE FOR LITTLE BUSINESS

In this financial field I do not believe we can or should distinguish between small manufacturing concerns and other types of small business. Consequently, we are dealing with a vast number of small businesses. In view of this fact, and the small size of the average loan, it would be difficult and certainly undesirable for a Government organization to undertake to make all the necessary individual loans and guaranties.

The 15,000 banks of America, with their 300,000 employees, are the proper organizations to finance small business. Government should not attempt to set up financial offices in competition with them. Use of private banks will eliminate the vast number of details which are inevitable in dealing with any Government organization and will make it possible for small businessmen to fill their credit needs in their own communities. This will save them time and money.

Credit insurance may very well be one of the methods for accomplishing this desirable result. On the one hand, it lends itself to mass production and decentralized operation, and, on the other, it tends to stimulate private transactions rather than to compete with them.

THE CANADIAN IDEA IS WORTHY OF STUDY

The Industrial Development Bank proposed by the Canadian Minister of Finance is an interesting idea. This bank is to be Government owned and operated. It is given broad power to make or guarantee loans and to acquire stocks, bonds, or debentures, either by underwriting or purchasing direct from the issuing corporation. In its present version its scope is limited to industrial concerns which seems to narrow. And it draws no distinction between large and small business, although the Government has stated that it expects it will be used largely to finance new and existing small business.

An interesting side light is the provision that the bank must operate "on the assumption that there will be on the average a relatively high level of economic activity." The Canadians have decided to be bold; they have faith in their future; and they intend to decide whether or not a borrower is credit worthy against such a background.

It seems to me that a plan similar to the one proposed by the Canadian Government could be developed and adapted to the needs of small business in this country.

I wish to emphasize I do not advocate and would not advocate any organization which would compete in any way with existing banks, investment houses, or other financial institutions. It should be the purpose of such an agency to fill gaps and to strengthen existing institutions rather than to weaken them.

V

THE TAXATION OF SMALL BUSINESS

This is surely a fact: Small business must have a chance to get started by reasonable tax relief. Moreover, if new businesses are not started, the old ones merely get bigger, or even stand still; result, low production and financial stagnation. The final or end result might also mean the break-down of the free enterprise system and the development of cartels and monopolies, leading into a type of socialism and communism.

Thus we must have inducement taxation for the new free enterpriser.

In formulating this new tax policy and framing the tax laws we must also be mindful not only of the part new enterprises play in our economic life but also of the vital importance of an environment favorable for business expansion. A tax policy adopted without any consideration of the role of small business will inevitably increase the degree of concentration in American industry. Conversely, a tax policy which takes into account the importance of new and expanding firms can contribute greatly to the preservation of a well-balanced economy, one in which the distribution of firms by size classes approaches the ideal.

The greatest possibilities of improving the tax position of small business is by the Federal Government. While some of the suggestions I shall make would be of value for businesses of all size classes, all of them would be particularly valuable for small business.

SPECIFIC EXEMPTION OF \$10,000 SHOULD BE RAISED TO \$50,000

First, I believe that the specific exemption under the excess-profits tax should be increased well beyond the \$10,000 provided by the Revenue Act of 1943. This exemption might well be increased to something like \$50,000, effective not later than the first taxable year beginning after the end of the war. If it is so desired, this exemption could be restricted to corporations with excess profits net income—before the exemption—of not over \$50,000.

Regardless of the precise form which this exemption might take, businesses of small and moderate size would be the principal beneficiaries. Obviously, the larger exemption would be regarded with favor by those contemplating the establishment of small business corporations immediately after the war.

The recommendation just made implies that I do not believe the excess-profits tax will be repealed, effectively immediately after the war. While it is widely believed that the excess-profits tax should be repealed at the earliest practicable date, because of the present provisions covering carry-backs of unused excess-profits credits, it would not appear to be in the interest of business and the Government to have the excess-profits tax repealed immediately upon the cessation of hostilities. This is particularly true of those corporations which it may be reasonably expected will incur losses—or earn only nominal profits—in the first post-war year. In the second or third post-war year, it might be possible to abandon this tax completely. Future events, however, will determine such action.

CARRY-OVERS OR CARRY-BACKS OF OPERATING LOSSES OUGHT TO BE PERMITTED

If equity capital is to flow freely into business channels, and is to become available to small business on terms not markedly more onerous than in the case of large business, specific investment incentives in the form of preferred rates on dividend income of new equities might be granted.

If the small-time capitalist is to regain a place in the economy, we must not again try to operate the tax system on a "heads I win, tails you lose" basis. We must not overtax dividend income, and we must allow liberal treatment—carry-overs or carry-backs—of operating losses. Liberal depreciation allowances on new plant and equipment are also essential.

As the tax laws now stand, the exactions imposed by the Federal and other governments appear to be a barrier to those who are contemplating the establishment of new enterprises. Therefore, everything possible should be done to minimize the forbidding appearance of the Federal tax structure and to encourage the establishment of new companies.

As is well known, the number of business units has declined sharply during the war period. An appropriate tax policy can do a great deal to hasten the return of our business population to a more normal level, while at the same time bringing about a desirable distribution of that population by size classes.

NEW CORPORATIONS SHOULD GET SPECIAL TREATMENT FOR A FEW YEARS

A specific suggestion that has been offered is that new corporations should be granted special treatment under the Federal corporation income tax for a period of years. One proposal is that new manufacturing corporations might be exempted for the period of 3 years from whatever special tax is imposed on corporations after the war; for the fourth and fifth years one-half the regular rate has been suggested.

In concluding my remarks on taxation, I should like to emphasize that the taxation of small business cannot be viewed as something aside and apart from other aspects of the small business problem. The one great draw-back to the expansion of the small enterprise has been its inability to obtain the necessary equity capital. In the future, as in the past, small business will look to earnings for a substantial part of the capital that is essential to growth. Until such time as our financial mechanism is improved to a point where the small business is not at a serious disadvantage in obtaining equity and long-term loan capital, the tax laws cannot be regarded as a completely separate and independent factor in the environment in which small business operates.

VI

PATENTS AND TECHNOLOGICAL INFORMATION

PATENTS

The difficulties of small business in this field are legion. Certain of our small businesses are placed under their greatest handicaps by the operation of our patent system.

To the average small businessman, patents often mean just one thing—litigation, and of the most expensive and time-consuming type.

IF A SMALL BUSINESSMAN GETS A PATENT OR INFRINGES ON ONE, HE GETS TIED UP
IN A LAWSUIT

Patents mean litigation whether the small businessman acquires one or has inadvertently done anything which might be classified as an infringement. Furthermore, he may involve his distributors in litigation.

The so-called umbrella type patent, which covers an entire field activity, and the so-called bottleneck type patent, which can block an entire field of activity, can usually prevent all but the very largest manufacturers from entering a given field because enormous expense is involved in designing machinery and products in such a manner as to avoid possible infringements.

PATENTS POOLS COMBINE TO STARVE OUT LITTLE BUSINESS

Perhaps the worst feature of the present patent system from the small business viewpoint is the patent pools maintained and operated by most of our truly large concerns. These patent pools depend for their strength, not on the essential validity of any one patent,

but on the combined effect of a large number of patents, any one of which may turn out to be worthless. The possession of these large numbers of patents plus the financial resources with which to back them up through endless litigation is usually sufficient to expell all small businessmen from any particularly lucrative field.

If the post-war plans you are developing are to be adequate for small business they must contain some program for remedying these patent abuses. Only if this is done can small business compete with big business on anything like even terms.

I suggest for your consideration the bill prepared by the Antitrust Division of the Department of Justice. It suggests that patent combinations be subject to the antitrust laws in the same manner as other combinations. I believe this proposal has merit. Certainly it should be given very careful consideration.

TECHNOLOGICAL INFORMATION ESSENTIAL TO SMALL BUSINESS

In modern business technological information is essential. Up to this time it has been largely impossible for small business to secure such information on any basis which would enable it to compete with large business.

From a manufacturing standpoint the important technological information is largely developed by and is in the possession of the large private commercial laboratories and research organizations.

The injustice arises from the fact that it costs the large business only a small fraction of its total income to maintain these laboratories, gigantic though many of them are. But a small business which undertakes to maintain even a moderate laboratory rapidly discovers that a large percentage of its income is going into this service.

THE KILGORE BILL SHOULD BE STUDIED

Some 2 years ago Senator Kilgore presented a bill with which you are familiar. This proposed to establish a Government technological and scientific office which, as I understand it, was to operate along much the same lines as the laboratories and research departments maintained by our large corporations. Its findings would be available to all business in the country. It was the hope that this scientific service would prevent the withholding of information for monopolistic purposes and would enable all business to participate in technological advances.

This bill should be carefully considered. I do not say that it is the final solution, but the principle is absolutely sound. You gentlemen can determine the exact shape or form the proposal should take.

NEW PRODUCTS AND PROCESSES GROWING OUT OF WAR AND DEVELOPED IN GOVERNMENT-FINANCED PLANTS SHOULD BE FOR ALL BUSINESS

The war has brought forth probably the greatest release of creative energy within the field of technology in all history.

The engineers and scientists of this country are already exploring the ways in which their new and improved products and processes can be adapted to peacetime uses.

But here is a point of crucial importance to small business. This tremendous array of technological improvements, although paid for

largely by the people through their Government, will, unless something is done, probably become the private property of big business. Although most of these improvements have been created at Government expense and under Government direction, their actual development has physically taken place in the laboratories and plants of large corporations. The corporations have already started to obtain patents on the more valuable of these developments. It can be expected that, before long, most of the more desirable of these developments will have been patented by the large corporations.

IF BIG BUSINESS GETS A STRANGLEHOLD ON THESE NEW IDEAS, SMALL BUSINESS WILL BE PUSHED INTO BACKWARD HANDICRAFT AGE

This, obviously, will shut the door in the face of small business, insofar as obtaining access to these Government-financed developments is concerned. Should this be allowed to happen? Should technological improvements of great usefulness and value, paid for directly by the people, be denied to small business and become the private property of big business?

The answer, to my way of thinking, is obvious. All technological improvements paid for by the people should be the common property of the people. To put such a policy into effect, legislation is required which will make it impossible for any private firm to obtain patents on technological improvements or adaptations thereof, developed within the physical properties of such concern, but at Government expense during wartime.

Unless such legislation is enacted, small business will be placed at a hopeless competitive disadvantage after the war. Society will suffer because the big corporations will be able to charge high monopolistic prices.

THE LITTLE PEOPLE SHOULD HAVE THE RESEARCH AVAILABLE

But, in any event, I offer you this point: Science, know-how, research, must be available to the little businessman. The reason is we live in a new scientific industrial world, and we can't have them in a primitive age while the big concerns are operating scientifically and on a modern basis. Big business itself ought to favor this, so that when little businesses have subcontracts they can fill them with scientific knowledge and know-how.

In any event, technical advice is highly important. Congress has given all this and much more to the farmers for over 50 years. What Congress does for farmers—who are little businessmen who live out in the country—they should do for the little businessmen who live in town.

WE WANT A SYSTEM OF FREE ENTERPRISE WHERE LITTLE AND BIG BUSINESS CAN BOTH SUCCEED

In reconversion, as in war, we need both large and small business. Both are vital.

As Chairman of the Smaller War Plants Corporation, my interest is in seeing that small business has the opportunity and ability to compete. For that reason, I have discussed those fields in which small business is not only at a disadvantage but an unfair and unjustifiable disadvantage.

The difficulties can be corrected and to the benefit of both large and small business. For large business grows stronger as small business succeeds.

And so, gentlemen, although I have spoken primarily of small business, I have in mind the success of our entire free enterprise, capitalist society.

Americans have made up their minds to make a success of the free enterprise system. They have in view no other system of government. Indeed, Americans believe in individual freedom and liberty, and each man wants his own business, or interest in the business, or his own job. He may want to change his business or change his job. In the civilization that is to come after the war, we want to preserve this individual liberty where every temperament of American personality, every member of a race, religion, or creed will have his place.

American people are dedicated to the Constitution. There will be conflicts, but they will be conflicts within the Constitution and as a part of the free enterprise systems.

Upon the foregoing I have presented my facts today. In doing so I have given my viewpoints in the preservation of the free-enterprise system, and of little business, which latter or both constitute the foundation stone of our American economy in life.

The CHAIRMAN. Thank you, Mr. Maverick, for a very interesting, illuminating statement, one that reflects considerable thought in preparation.

Time will not permit the many questions that some of us would like to ask. I am not going to take a great deal of time, but I would like to ask one question and leave the rest of the time to the other members.

You stated in the beginning of your statement that "small business needs speedy, final, and fair settlement of its claims" in its determinations.

You are familiar with the bill that this committee has endorsed, which you referred to. Do you think that bill will give the needed "speedy, final, and fair settlement of its claims"?

Mr. MAVERICK. It forms the groundwork of speedy termination, but there should be special attention given to interim financing because there are something like 165,000 subcontractors and all of them are going to be canceled out. Every one of them is going to need money.

Another thing regarding that bill that I am not sure is complete therein, though I cannot remember the words exactly, it says that if the claim of a subcontractor is equitable, the Army or Navy or military agency is entitled to go in and pay it. Congress put those words in because everybody is afraid of this business of double payment. I think we ought to admit that when a prime or upper-tier contractor goes broke, the Government of the United States will pay a subcontractor over again, even though the prime contractor has been paid. There is a definite reason for that.

Before this war, for instance, in the building of the Boulder Dam all States had lien laws and bonding statutes for State contractors. Provisions designed to accomplish the same results should be adopted for war work. The individual subcontractor is not being paid twice, you understand.

The CHAIRMAN. In other words, you think the Government should in some cases perhaps pay twice?

Mr. MAVERICK. Yes, sir.

Mr. ZIMMERMAN. I thought we provided for that in the bill; that is, if it were equitable.

Mr. MAVERICK. There are some qualifying words, to the effect "if it appears equitable or desirable." But if a man does the work and it is honest work, there ought not to be any question whatsoever about it. If you leave it to Army officers all over the country they may be afraid they will get into trouble about it later on, and they may hesitate in doing it. This does not involve fraud, you understand. It ought to be clearly stated that when a man has done the work and delivered the goods, he shall be paid.

The CHAIRMAN. If you do not do that, you are going to have thousands of small claims against the Government, aren't you, in the form of relief bills in the House?

Mr. MAVERICK. They will be coming in the shape of thousands of bills for years to come, when my unborn grandson gets elected as a Congressman.

Mr. VOORHIS. What do you mean by double payment?

The CHAIRMAN. If I may answer, as we must make haste, I think what Mr. Maverick means, Mr. Voorhis, is where the prime contractor goes broke the Government will pay him and the little fellow will be left out, the subcontractor. The thought is that the Government still owes him something; is that correct?

Mr. MAVERICK. That is correct.

The CHAIRMAN. One other question I wanted to ask you, sir: You are familiar with the May bill, Vinson bill, and others along that line.

A sharp question has arisen about whether the Comptroller should be brought into the picture where he has never been, to preaudit these claims. What is your opinion about that?

Mr. MAVERICK. I think I can give you an absolute, unbiased answer insofar as I am concerned, very definitely the answer is "No."

The General Accounting Office is a very capable Office; the Comptroller, Mr. Warren, is one of finest, ablest, and most intelligent gentlemen in the Capital. Notwithstanding that, the termination of contracts should not be handled any different from any other Government obligation any more than they should make a preaudit of the Smaller War Plants Corporation or any other governmental agency. The officers of our Army and Navy have the same level of honesty and integrity as other officials in the Government. I can assure you of this, that the Army and Navy have developed through a period of several months' study a very high level of efficiency and standards for the termination of contracts.

If there is a preaudit it will hold things up, in my opinion, and will lessen the chance for quick terminations.

The CHAIRMAN. I am glad to have your opinion on that.

Mr. FISH. I just want to commend you for your very clear and precise and able statement, and particularly for presenting it in type-written form. It can be easily available to the members of the committee and they can take it home and read it if they care to consider certain phases of it. I also want to commend you for the statement

you made about preauditing. It will be a big controversy in the House and I think you have expressed yourself very well.

I would like to ask a rather simple question. Just how does it operate now if a small business firm wants to borrow \$5,000? Perhaps the business wants some new machinery that is available and wants to go ahead with some new business. Does that firm come to you, to the Smaller War Plants Corporation?

Mr. MAVERICK. Did you say new business?

Mr. FISH. I have in mind something that has been bothering me a little. Suppose a business, a small business, was in another line and that line has more or less gone out and due to the war it has gone into another line of business. They then find some new machinery they could buy if they had the money, they would want, say, \$5,000, \$6,000. They have orders of \$30,000 if they could go ahead and they want the money, they want a loan. It is really a question of small business entirely. I want to know what you have to say about that.

I might want to see you after the meeting about it.

Mr. MAVERICK. The law is we have a right to make loans for war production or essential civilian production.

In any amount under \$25,000 it is done in the field. In the case of the State of New York, we have a regional office in New York City and a district office in Albany. The man could go to the district office in Albany and within a very short period make a loan up to \$25,000, or he could lease the machinery, if it was something needed in the war, at 1½ percent per month on the value of the machinery. The reason that high rate is put on there is because there will be practically a 75 to 100 percent loss when the war is over on that machinery.

Mr. FISH. Suppose this arose, that they were in some line of business and they were making some kind of war goods and they might not continue to make that after the war. I suppose you find that out before making these loans. I do not understand that situation at all. Perhaps I had better not take the time of the committee to press the question any further.

Mr. MAVERICK. I can answer that very rapidly.

The answer is that we have no business to impose "grandfather clause" and I am making that a national campaign.

Mr. FISH. I am glad of it. I am disturbed as to that question and I would rather not take the time of the committee on it.

Mr. MAVERICK. We are for the free enterprise system and capitalist democracy and, if so, we have no right to come in with a "grandfather clause" and say that, because you did not have a vested interest before Pearl Harbor, you cannot go into any new business.

Mr. FISH. I am delighted to hear that. It looked to me as though you were protecting the big industries instead of helping small business. I did not know your attitude and I was going to come to see you about it.

The CHAIRMAN. Mr. Maverick, if you will pardon me a minute, I am advised that there is a record vote being taken in the House. I assume the Members feel it necessary to be recorded on that. I would like to know what the pleasure of the committee is.

Mr. VOORHIS. Mr. Chairman, I have a number of questions I would like to ask Mr. Maverick. Would it be possible for him to come back?

MR. MAVERICK. I have a heavy emotional desire on account of my previous membership to be catechized, cross-examined, and criticized—and complimented, if possible—and I would like to be at the disposal of this committee and come back, if you care to hear me.

THE CHAIRMAN. Thus far you have only had compliments, Mr. Maverick.

The committee will stand adjourned until tomorrow morning at 10:30 o'clock.

I will contact Mr. Maverick as to any further appearance he may make here.

(Whereupon, at 11:30 a. m., the committee adjourned until Wednesday, June 14, 1944, at 10:30 a. m.)



POST-WAR ECONOMIC POLICY AND PLANNING

WEDNESDAY, JUNE 14, 1944

HOUSE OF REPRESENTATIVES,
SPECIAL COMMITTEE ON POST-WAR
ECONOMIC POLICY AND PLANNING,
Washington, D. C.

The special committee met at 10:30 a. m. in room 1304, New House Office Building, Hon. William M. Colmer (chairman) presiding.

Present: Representatives Colmer (chairman), Cooper, Voorhis, Murdock, Lynch, O'Brien, Worley, Fish, Reece, Welch, Wolverton, Hope, and Dewey.

Also present: Marion B. Folsom, director of staff, and Dr. Kaplan, consultant, of the committee.

The CHAIRMAN. The committee will come to order.

We have with us this morning Mr. D. P. Cameron, appearing in behalf of small business. Of course, down where Mr. Cameron comes from—the State of Mississippi—most business is small business. He is an outstanding businessman down there among small businessmen. I thought it would be well for the committee to have some testimony from just an ordinary businessman with no Government connections so that we might get the “grass roots” point of view, so to speak.

Mr. Cameron, you have a prepared statement, I believe. You may be seated and proceed with your statement.

STATEMENT OF D. P. CAMERON, PRESIDENT, THE MERCHANTS CO. OF MISSISSIPPI

Mr. CAMERON. The gentleman that preceded me yesterday said he had the honor to have been a Congressman once. I have never had that honor other than to vote for Congressmen or did I ever have any Government connection.

Mr. Chairman, members of the Post-war Planning Committee. I appear before your committee representing the little businessmen of our country, my section in particular. I am not here as a Democrat or Republican, nor as a New Dealer or anti-New Dealer—I am here representing the “grass root” American citizens who are vitally interested in the post-war plannings of your committee.

The big job at present, of course, is to win the war, and we, the little businessmen of America, have nothing but praise for Congress and others for the splendid progress already made along this line. Nothing must be done or said to cause you or others to let up one iota, but you and the rest of the home front must also immediately begin planning to preserve America and the American way of living at the termina-

tion of the war. If the plans are constructive, we have no reason to dread the future, and we will be able to look our boys and girls in the face upon their return from the fighting fronts and truthfully tell them that their efforts and sacrifices were not in vain; that we, the home front, have kept the faith in their absence.

We will owe them a great debt, and this debt must be paid. Upon their return only a very few will feel that their country owes them anything other than a job; the right to work and be fairly compensated, thereby enabling them to be independent, self-respecting citizens and to rear their families accordingly.

I have talked to a great number of these boys and girls and they are not interested in being regimented after they have won the war. (No doubt they have had enough of this while in the Army.) They state their victory in winning the war will be a hollow one if we, the home front, fail to preserve for them the democracy that they fought for, and in instances died for.

Congress by necessity must assume the leadership in this undertaking and bring forth constructive legislation that will be fair to the majority of these boys and girls. Every citizen, be he big or little, must assist.

When your chairman asked if I would appear before your committee, I hesitated in accepting, not for selfish or unpatriotic reasons, but because I felt—and still feel—there are others far better qualified to represent the little businessman than I. Representing the little businessmen of America is no small assignment; 99.6 percent of all business in America has a capital structure of \$1,000,000 or less, and therefore is classified as "little business"; only four-tenths of 1 percent American business has a capital of over \$1,000,000, according to Bradstreet statistics. You can readily see from the numerical standpoint what a large percentage of American business is carried on by the little businessman. America was settled and has been developed by this type of citizen. It has been the little businessman who has led in the pioneering of every foot of our great Nation. If America is preserved, it will be the little businessman who will preserve it. The economic activities of America are based upon the existence of this tremendous number of small enterprises.

Small business constitutes not only so large a segment of our business field, but also makes contributions to the four-tenths of 1 percent that is in the high bracket class, because small business in the aggregate is the determining factor in the life of large business. Small enterprise with its initiative and experience is the living expression of every open competitive economic system and supports and serves the bulk of our population.

It was big business that prior to and at the beginning of the war placed its business at the disposal of the country to be used by the country to furnish the fighting equipment and material for our armed forces. This was correct, because it had facilities and organizations equipped to do the job. America's hat is off to big business for the magnificent manner in which it has done the job. Without its services, our soldiers would have been helpless, but with superior fighting equipment, they are doing a wonderful job. In order to do this splendid job, it was necessary that big business tremendously increase its manpower. Little business was not equipped, nor did it have facilities to

make this type of contribution; its responsibility was to furnish the manpower to do the fighting. I dare say if you were to check the personnel of the millions of fighting men and women, you would find the majority of them had come from little business and little communities. Thousands upon thousands of little businesses lost as high as 50 percent or more of their personnel to the armed forces, and in very few instances did they complain. Little business has not hoarded manpower while its country was at war. It has found ways and means of carrying on its activities under high pressure with less manpower in order that the armed forces and war material industries might have the advantage of its saving in manpower.

It is natural to assume that these fighting boys and girls, who came from little business and small communities, are thinking of the day when the war is won and they will be permitted to return to the communities and little business which they left to enter the service. With these facts confronting us, it is easy to understand why the little business and little communities are so vitally interested in post-war planning.

Your committee, if I correctly understand, is very much interested in formulating a program which will enable business at the termination of the war to return to normalcy and above all to absorb the returning soldiers, who have been carrying on the fight on the battle fronts, and to provide jobs to those released from war industries who want to work. From the testimony submitted by big industries before your committee, it is very evident that these large war industries cannot possibly maintain their present personnel. Any employment in these industries to returning soldiers will be at the expense of someone already on their pay rolls. This being the case, it is doubly important that the returning soldiers from small business and small communities are not allowed to drift into these heavy industrial sections which at the termination of the war will have surplus manpower in their communities.

With this in mind, I appear before your committee representing little business to offer suggestions as to what we feel your committee can and should do to encourage and help little business in order that it might be able to furnish employment to returning soldiers and released war workers and continue to make contributions to the preservation and development of America and free enterprise.

1. EQUITABLE TERMINATION OF WAR CONTRACTS

The little businesses which I represent have participated only in a small way in war contracts; therefore being a nonparticipant, we are not in position to widely discuss this question. If I understand correctly, your committee has been giving this important matter first consideration and has had before it some of the outstanding industrialists of the country seeking a solution of this all-important problem. The press has inferred that the committee had probably gathered sufficient data to enable it to proceed with the termination of these contracts on a just and equitable basis. I will say that little business is vitally concerned indirectly; any bottleneck created in the termination of these contracts will soon be reflected throughout the width and breadth of the country. I have read the testimony of Mr. Wilson, president of General Motors Co., also the testimony of Mr. Eric A.

Johnson, president of the United States Chamber of Commerce, before your committee. I concur in their views 100 percent—namely, need of immediate action on legislation for a prompt and equitable settlement of war contracts.

Congress and the Government should deal promptly and fairly with the institutions that have so admirably acquitted themselves by accepting these contracts and fulfilling them in a manner that was a revelation to the world. In most instances, they accepted them in good faith and acted promptly to execute them, as it were, overnight. At the termination, the Government should do likewise. In simple words, "practice the Golden Rule." The Government in the past, as you gentlemen know, has not been as prompt and diligent in settling its claims with the public as it has compelled the public to do in settling with the Government. This creates a little misgiving in the public mind. I think the contracts should be settled promptly, justly, and equitably.

If there should be subcontracts involved, which are usually with little concerns, they should be dealt with accordingly.

A very large percentage of successful businessmen are honest. (This is a prerequisite to their success.) I will admit that there may be some contractors whom the Government will have to audit, but this can and should be handled at a later date, and if found guilty, make them pay dearly, but do not keep the entire class in after school in order to punish one pupil for a misdemeanour.

Prompt settlement of these contracts will go a long way toward furnishing the working capital necessary to enable contractors to start other activities and create employment; a delay will create a bottleneck and cost the Government many, many times what it would lose on account of a little off-color found occasionally among contractors.

2. DISPOSITION OF SURPLUS WAR COMMODITIES AND GOVERNMENT-OWNED PLANTS

Again, I say that I am sure your committee has had before it those who are in better position to advise on these matters than I. Little business has invested liberally in War bonds in order that its Government might accumulate war commodities, build war plants and so forth. Naturally, we are interested when it comes to the disposal of these things to see that the Government, as far as possible, protects the people in their disposal. In other words, not dispose of them indiscriminately regardless of their value.

Government-owned plants and their equipment, I presume, represent the greatest problem when it comes to their disposal. Government-owned war commodities, I presume, cover everything from ships to a can of tomatoes. The disposal of these plants and commodities is going to be one of the major tasks of the Government. I commend the Government for placing in charge of this program a man of Mr. Clayton's ability. Mr. Clayton is an international merchant. He has proved his ability in handling his own affairs and marketing one of the Nation's most hazardous commodities, namely, cotton.

I feel that the American public, especially the little businessman of the South, has implicit confidence in his ability to handle this tremendous assignment. I feel that it would be unbecoming of one of

my limited experience to offer Mr. Clayton or Congress suggestions as to how he should handle this job. I think he should be given carte blanche and instructed to proceed with the job along the lines that will be fair and equitable to the taxpayers of our country.

Mr. Clayton knows that to dump these commodities on the market indiscriminately would thoroughly demoralize the domestic market. The merchants and others of the country have had some past experience following World War I with the hasty disposal of surplus commodities. They have a feeling that some of these commodities were sold at absurd prices to organizations or corporations that were created solely to speculate in these commodities. I hope and feel sure that Mr. Clayton and his associates will not permit this to recur, and so far as possible dispose of them through regular trade channels.

Due publicity should be given to the items owned by the Government, their location and minimum quantity in which they will be disposed of. With this procedure the large and the small will have an opportunity to participate in the buying, thereby (1) obtaining a greater value for the items disposed of and (2) getting a fair distribution over the country as a whole. Whatever method of advertising these commodities is adopted, should be given full publicity to the Nation as a whole.

Regarding Government-owned plants, no doubt these plants could be best utilized by orderly disposal; maybe some sold to rehabilitate our foreign allies, but of course preference always to domestic operators if they are in position to operate them for the good of our country and create employment, and so forth. It has been suggested by some of the small businessmen with whom I have come in contact, that in some instances it might be wise to dispose of these plants to industrialists who could utilize them by removing them from heavy industrial sections and rebuilding them in communities and sections away from the congested areas where land is inexpensive and productive, and enable the operator to make a contribution to the welfare of America by working two shifts, each 30 hours per week, one shift 3 days, 10 hours, in succession, another shift three 10-hour days in succession, and to compensate his employees for the short week by furnishing them a plot of land and a home thereon. In his 3 off days the worker would be able and would have time to grow a good many of the products consumed by his family; namely, vegetables, fruits, poultry, dairy products and, in many instances, meat products. They suggested that this would in the long run be advantageous to the worker, because he would be able to produce food consumed by his family with this type of set-up, instead of buying it at high prices in highly industrial sections. It would create a healthier and happier family environment and labor situation.

If this program were adopted the operator of the plant would necessarily have to commit himself to furnish employment and these other facilities for his laborers before being allowed to purchase the plants.

3. INSURE THE CONTINUATION OF FREE ENTERPRISE

4. MAINTENANCE OF THE STANDARD OF THE AMERICAN WAY OF LIFE

The two items listed above are inseparable and very vital to little business. The preservation of free enterprise cannot be accomplished without the maintenance of the standard of the American way of life.

The wonderful record made in the past under the free enterprise system, with all its faults, should be convincing to all that there is no other economic system that will bring to our people and our country so much happiness and progress and at the same time preserve freedom.

Small business is vitally interested in the maintenance of the standard of the American way of life. We believe that the only way this American way of life can be maintained and caused to grow by the enlargement of the ability, capacity, and enterprise of our people is through the preservation of individual free enterprise. If planned economy, Government regimentation, bureaucratic government, business and Government partnership (all stepping stones to national socialism) are substituted for free enterprise, then it is self-evident truth that we shall lose constitutional government—the American way of life.

Little business must not abandon the fundamental truths practiced by our forefathers and as given to us by our Declaration of Independence and our Constitution. We believe that the preservation of our democratic institutions depends in a large measure on our ability to maintain and strengthen the foundation of small and medium-sized enterprises.

We representatives of the average-citizen group of this country, together with all other good citizens, are not the only people who are alarmed at the present trend to abolish private enterprise; the system that gives the man a right to choose his own means of earning a living for himself and family. We have observed that during the present year those advocating a new order have been coming more and more in the open with details of their revolutionary theory that would demoralize our present generation and destroy all the hopes of its successors. The theorists and visionaries, who give lip service to free enterprise but who preach doctrines of economic revolution, may be sincere in their Utopian philosophy, but the principles they advocate can lead only to complete regimented economy. If and when more than a small fraction of the electorate comes to depend for their livelihood upon the temporary masters of the mechanism of the State—that is, upon the politicians—then democracy as we have known it in the past is at an end.

Before either small business or big business can take steps to insure the continuation of the free enterprise, the only system under which reasonably full employment may be made certain, Congress must do those things necessary to insure the people that we are again living under a government of laws rather than a government of men. Free enterprise and individual initiative have made us a great and powerful nation—the greatest nation on earth, a nation which has brought more comfort, happiness, and freedom to more people than any other nation in the history of the world. We have recently come a long way from the principles laid down for our freedom; we, the little businessmen, think there are some in this country that are hell-bent on destroying the foundation of our free enterprise upon which the American successes have rested. We refer to the power-grasping bureaus and world planners.

Therefore, it seems to the little business group that the first thing necessary for Congress to do in connection with many of the vital

post-war programs is to see that our Government is returned to the people as provided for under our Constitution. After this has been done, our present tax laws must be changed so as to encourage "venture capital." With the return of peace, it will be vital to the life of free enterprise that capital flow into new enterprises to provide employment and to increase the national income. This cannot be done under our present tax system. Little business, of necessity, must obtain its "venture capital" from its neighbors. Its stock is not sold to strangers; as stated, its stock is sold to its neighbors. Under our present tax system, the small business hesitates to ask its neighbors to put new capital into its business for the purpose of expanding it and creating employment for returned soldiers for fear that it will be unable under the tax system to properly compensate them for their money.

You gentlemen know that when you take money from your neighbor for stock or what not and do not repay him, you are in bad with your neighbor. Little business does not need S. E. C. to supervise its stock transactions.

Mr. REECE. I intended to ask Mr. Maverick when he was before the committee yesterday, but our session was so brief I did not have an opportunity to do so, if he had made a study of the Securities Act with a view of seeing if he had any recommendations for amendments to the act which might make it easier for our small businesses to obtain capital through the sale of securities, and I am glad to see you touch upon that subject here and that you have given some thought to the subject. I believe that is one of the subjects which is of great importance to small business.

Mr. CAMERON. The Truman committee recently rapped excessive Government control, saying "Experience has taught us that our country will flourish best when least hampered by Government control," and speaking of free enterprise, the committee said: "Even in war-times it was the flow of private initiative that made possible the success of the war program." Continuing, the committee said: "It was the job of the Government to devise the rules of the road, but not to tell the driver where he must travel." Those are the sentiments of little business. Nor should it be necessary to give facts and figures showing why there should be a restoration of government by law, as guaranteed in the Constitution, and the conduct of government by thousands of bureaus, agencies, executive orders, and a few individuals. The number of civilian employes on the Federal pay rolls of all of these bureaus and agencies exceeds three million, with an annual cost to the taxpayers of over \$8,000,000,000. That is \$150 per year for each of the 53,000,000 working men and women in the United States.

One does not have to spend much time among the employees of many of these bureaus to be impressed with the destroying amount of red tape and waste. This red tape and waste, plus meddling and directives, have caused over 275,000 small businessmen to fold up during the past 3 years. Yes, the bill of the bureaucrats is plenty; it is being paid in cash, debt, and liberty—and the greatest of these is liberty.

Speaking for small business, may we most respectfully submit the following recommendations:

(1) That our Government be returned to the people as provided for under the Constitution. This will require courage and wisdom on the part of our elected representatives, but you are the gentlemen whom

the little businessmen elected to represent them in Washington. We didn't elect the bureaus. You are the men who we feel have the courage and wisdom to properly represent the average man. You must resolve that Bill of Rights shall not be destroyed by either direct attack or by blissfully ignoring or disdainfully bypassing it.

(2) That the rules of the game, which are necessary to create the proper atmosphere for the preservation and growth of free enterprise and the return of the American way of life, shall be prepared by the legislative branch of our Government with the help of public opinion, that these rules shall be enforced by the executive officers who do not make the rules, that these rules should not be changed or altered in the interest of pressure groups or self-centered groups, be they petitioners or groups representing either labor or management; that our Government be the umpire in the great game of individual free enterprise; and that as a fair umpire our Government must never be a player of the game.

5. NEW MARKETS, BOTH FOREIGN AND DOMESTIC, FOR INCREASED PRODUCTION

Foreign markets: The average little businessman is not familiar with or competent to offer suggestions relative to foreign markets and the possibilities of developing same. These markets come within the sphere of large business, bankers, and, in many instances, the State Department. The little businessman by necessity has to be a trained and experienced buyer. For the benefit of our Government officials, who at times assume the role of salesman to foreign nations, we believe, as buyers for small business, in the old saying, "Be it what the name, I fear the Grecians even when they offer gifts." The little business and the buyer for little business lose respect for the salesman and the company he represents when they are approached on any basis other than cold-blooded business transaction. No business transaction can survive if all parties thereto do not profit thereby.

America, if it expects to sell its products to other nations, must be in position to reciprocate or else they will find seller nations that will reciprocate.

Domestic markets: Our business institutions in the past have prospered to the extent of their ability to develop products with merit, then create a market for these products. Our past growth speaks for itself along these lines. Business institutions will continue to do this in the future if they are assured (1) that they will not have to compete with the Government; no business has an incentive to attempt to develop products and develop new markets when it feels that in doing so it is competing with any Government agency operating businesses as competitors. Government agencies invariably are tax-exempt; the capital is furnished with the taxpayers' money. Private business cannot compete with such agencies when the biggest item in their expense budgets is taxes and when they are directly responsible to the stockholders for their invested capital. (2) Tax programs will have to be adjusted so there will be an incentive for little business to expand. There has been a good deal said about there being no more "venture money." I disagree with this statement 100 percent; there is more "venture money" in America today than in the history of the country, but management, due to many reasons, will not venture

to accept the responsibility of using such money, because it is not certain that it can use it and protect it.

(3) There are so many Federal agencies and bureaus at the present time that a major portion of the little businessman's time is consumed in filing Government reports and interviewing representatives of Government bureaus. It has been stated that a little combination grocerman and marketman was required to make out 47 different reports in 1 week's time. The little businessman is not in as favorable position as a large organization who can set up special clerical and legal departments whose sole duty it is to handle these matters, because his business is not large enough to sustain the expense. If Congress will correct and remove these handicaps, the morale of the little businessman of the country will go up 100 percent; he will take on new life and he will have an incentive to develop new products, create new markets, and, last but not least, furnish increased employment for deserving people who are anxious to work.

Mr. Chairman, haven't you already passed on the problem in effect on the question of demobilization?

The CHAIRMAN. No, sir; that is one of the things we are discussing. However, if you want to leave that in your statement and not read it, that is up to you.

Mr. CAMERON. I know that your time is limited. I will say for the benefit of Congress that I would hate to be in your shoes if you do not set up a satisfactory program. Every mother and father in this country will beseech you for special favors for members of their families.

Mr. WORLEY. With no desire to pass any compliments, I think you are the best witness we have had. I would like to have this in full. Suppose you continue reading.

PROBLEMS OF DEMOBILIZATION AND EFFECT ON UNEMPLOYMENT

Mr. CAMERON. I presume that at the termination of the war there will be in the neighborhood of ten or eleven million men and women in our armed forces. The demobilization and turning back into regular channels of this great number of people presents a serious problem, a problem that is going to require cool judgment and an impartial policy in handling.

Naturally, every man and woman in the armed services is going to feel that the minute fighting ceases he should be released. This will be impossible and impractical. Whatever policy is adopted regarding releasing discharged soldiers must be iron-clad and show no favoritism. If a policy of this kind is not adopted, these men and their families will try to use whatever prestige and influence they may have upon Government officials in behalf of the members of their families in the service. This should not be allowed to happen, and to prevent it from happening regulations should be set up that would be thoroughly impartial and, after set up, they should be lived up to religiously.

(a) I—when I say "I", I mean little business—feel that our country will never consent again to allow its Army and Navy to become a mere skeleton; in other words, we will maintain a much larger standing Army and Navy than we maintained prior to Pearl Harbor, for security reasons if for no other reason.

(b) I presume there will be a certain percent of the men in service that would be inclined to continue in the service for a period. Every service man should be given an opportunity to express his preference in the matter—whether he wants to continue in the service or desires to be returned to civilian life. Naturally, if he desires to stay in the service and is needed, he should be kept in the service.

(c) The men in the service who have been engaged in actual combat during the war should be given first preference in their release. Those who have not been engaged in actual combat and have not exposed their life and limbs should not resent a program of this kind.

(d) Thousands of teen-age boys went from school and college into the armed services before they had completed their high schooling and college education. They should be given an opportunity to return to school or college while they are young. These are boys and girls that business is not obligated to place back into their old jobs.

(e) I feel that from the balance of the men, those who are married and have families should be released before the men with no dependents.

By following a program of this kind you would be fair to the men in the service, rewarding all in accordance with their service. You would not create any unsurmountable unemployment problem in washing out and replacing the fighting forces back in civilian life on short notice.

7. REEMPLOYMENT OF DEMOBILIZED SOLDIERS AND WAR WORKERS

The average little businessman is going to turn heaven and earth to reemploy those who left his service voluntarily or who were drafted by the Government in the armed forces and fought for the existence of this country. As stated previously, a big percentage of the fighting forces of our country were drawn from small communities, small business, and the farms. Small business assures Congress that so far as humanly possible it is going to live up to the letter as well as the spirit of the law, namely, take care of them and give them their old jobs when the fighting is over.

We are certain that it will be best for the country and best for the men for them to return to the communities and jobs they left, if possible. These men who left the farms will return to the farms if we are able to market our farm products profitably. Congress and the Nation should give every consideration toward maintaining a fair price for farm products. It will not only stimulate employment on the farms but it will stimulate employment in the industries, because farmers are big consumers of manufactured goods; they can only consume these when they obtain a fair price for the products they have to sell. If it does not create overproduction, the Government could well afford to reestablish some of the farmer-soldier boys on farms of their own that would be sold to them on a fair basis and easy terms.

Little business, as a rule, kept the men that left their service to go into the armed forces in mind during the war. They have not and could not build up their personnel with additional help while these boys were away. In many instances they replaced them with older men and in some instances with women, who will be at the age

and ready to retire or return to their own duties when the war is won, and this will make available places for returning soldiers.

Little business will be willing and ready to expand if necessary to take care of them, provided, as stated previously, we are assured by the Government, that it will be possible for us to exist. Little business will be glad to take some of the teen-age boys who do not care to go to college or return to school into their organizations and educate these boys with practical experience for useful vocations. The most dependable men today in every little business organization are those who came into the business as boys and grew up with the business. Some of the recent regulations of the Government are having a tendency to prohibit this policy at the present time. Service organizations, mercantile establishments, and so forth, by necessity have to train their own personnel. The Government has gone far afield in taking young men and teaching them trades at the expense of the Government but have made no provision for teaching young men a vocation in service organizations. Service organizations, as a rule, are invariably small business. We feel that the Government has not given us a fair break in some instances by not giving us opportunity to educate and train young beginners for responsible jobs in our organizations. We are not asking for a subsidy, we are asking for an opportunity; given an opportunity we dare say that the young man who comes with us and proves himself will never regret it. Pardon a personal reference, but there is not a key man in our organization who did not years ago start in as a mere boy and learn the business from the ground up.

S. PUBLIC WORKS (FEDERAL, STATE AND LOCAL) TO THE EXTENT NECESSARY TO ABSORB THE SLACK IN EMPLOYMENT BY PRIVATE INDUSTRY

I would like to state that the State governments and local governments are in a better financial position than they have ever been, and they should assume, as far as possible, a large proportion in this public-works program.

Mr. WOLVERTON. That was the position taken by Governors Bricker and Taft last night in the forum discussion on the radio with Governor Neely and Senator Kilgore.

Mr. WORLEY. I am glad to hear those men took that position, but the question is whether they will carry it out.

Mr. LYNCH. They probably will not have the opportunity to carry it out.

Mr. WOLVERTON. Hope springs eternal.

Mr. CAMERON. Public works have ever constituted the one mighty source of means for attack on unemployment. Such works are always ready for immediate launching, into all necessary or consistent expansion and are likewise subject to desirable contraction.

Undoubtedly, the whole people feel that there can be no more logical, fruitful, or beneficial achievement of government, whether it be Federal, State, or local, than wisely and fairly conceived programs for enduring public improvements, honestly and efficiently accomplished. Such performances, on the part of the Federal Government, promote the entire national economy and permanently enhance the welfare and prosperity of the public in general. On the part of the

subordinate governments, they further advance and improve the life of the commonwealth and the municipalities.

I have in mind only highly productive public works, wherefrom the people will get the worth of their tax money in what they need for the promotion of their progress and happiness. It is to be devoutly hoped that never again shall we see the erstwhile "boon-dog-gling." I feel that nevertheless it would be both futile and officious to offer here any specific suggestions concerning programs or policies of public works. Congress can well attend to that.

In the coming days when the safety of the Nation may greatly depend upon the wide and steady employment of the whole people, it cannot seem otherwise than that Congress should resort freely and courageously to wise public works to absorb any dangerous unemployment which private enterprise cannot take up.

In this connection it would be superfluous to suggest that Congress encourage the States, during the aftermath of the war, to employ generously the joint Federal and State programs for highway construction in harmony with the vital purposes of all Federal public works, and as far as Congress may do so, appeal to the States and their municipal governments to provide their own plans and programs to supplement all such Federal activities in accordance with the necessities.

9. FEDERAL STATUTES THAT WILL RETARD AND THAT WILL AID POST-WAR CONVERSION

Ideas suggested are in connection with little business, and laws referred to are by their popular names:

(1) *Income-tax law.*

(a) There is no present shortage of capital necessary to finance small business which will be necessary in the post-war period. Such capital is available to worthy people willing to start new business—but it must often come from friends of the organizer who are convinced and believe in the ability and honesty of the person, provided they know that if the business does succeed, they will get a reasonable dividend on the investment consistent with the chance taken. Such friends with capital will be willing to take the chance of loss of investment, but not of liability beyond this. So, corporate form is necessary. Putting the money in a new enterprise to be run by one or a few individuals, which business might or might not succeed, then they are entitled to more profit if it does succeed, than what is now declared to be reasonable for excess profits taxes under the present revenue act.

I agree with Mr. Maverick \$50,000 would be reasonable for a little business.

The small exemption now allowed before computing excess profits is not sufficient because if most small businesses succeed, they must have enough capital to operate without borrowing money for capital purposes and be strong enough to meet the competition of big business. So, I suggest modification of excess profits taxes in such a way as to encourage such investments in new businesses. This modification is not suggested as to large corporations, whose businesses are already established, and whose capital is not furnished by friends willing to take the chance referred to.

(b) Capital-stock taxes: Capital-stock and other taxes applicable only to corporations should be abolished or applied only to big business so as to enable small business to operate by corporate form. If capital stock taxes were abolished so far as small business is concerned, there would be no loss in revenue to the Government because the increase in small business and normal income taxes thereon will more than offset the small loss in revenue.

(2) *Reports and returns.*

Complicated reports and returns to the hundreds of bureaus and agencies created by the Government: These agencies are so numerous it would take two or more pages to list them by initials only. Small business must be operated by one or only a few keymen, all of whose time, energy, and talent must be devoted to the management and operation of the business, and if they must spend their time trying to learn and obey the many thousands of rules and regulations adopted by these various bureaus and agencies and then supervise the making of the required reports and returns, no time will be left to give to the business itself. Small business cannot employ experts to look after these matters. Such experts are not available and even if they were, the cost is so high as to destroy any hope of profit. Big business may afford these experts but little business cannot.

(3) *Wage stabilization law.*

Capital for little business will not be furnished even by friends unless the operators of the business are themselves willing to take a chance on its success. In many cases all they can put in the business is time and effort, not capital, so their chance must be taken in connection with their own personal efforts. Results: Salaries must be fixed to start with at much less than the services are worth; if the business succeeds, then increased according to the success of the business. What the increase should be, or the basis on which it will be made, cannot be determined in advance nor any set formula fixed. But, under existing laws this cannot be done without approval of some Government agency, which one depends on the amount involved, where the business is located and where the various branches of the agencies are located—and to do this requires the employment of more auditors and lawyers than little business can afford.

What is said here applies also to employees when employed in starting little business who may or may not prove their worth. No standard can be set in service institutions on employees' worth until they have been tried and their merit demonstrated. It is not the same as where machinery is used and the employee takes care of the product that goes into or comes from the machines. The wage freeze has been very unjust to deserving white-collared employees, and management is powerless to reward them according to their proven merit.

Mr. FISH. As to that white collar question, I think that is a very important question, and it may come up today in Congress. Have you any particular suggestions as to what we can really do to help them?

Mr. CAMERON. All I can say to you, Congressman, is that my own organization has carried on two and a half times as much work as it did in 1940 with only about 1-percent increase in personnel. That means the efficient white-collar employees have had to work, and work harder, and I cannot reward them because wages are frozen.

Mr. FISH. You cannot give them any wage increase?

Mr. CAMERON. I can go through the red tape and after 3 months get a little extra compensation. I do not believe white-collar employees under \$200 should come under the wage freeze.

Mr. FISH. I am offering an amendment along that line, at least I am supporting it, limiting it to \$37.50; that is, taking the ceiling off up to \$37.50 a week, so that faithful and efficient employees that the employers want to give raises can get them without going through all that red tape. You raised the limit to \$200.

Mr. CAMERON. I think it ought to be \$200.

Mr. FISH. That would be about \$150 a month.

Mr. CAMERON. You have a little higher bracket there that is carrying on a tremendous amount of work because the new ones are very inefficient.

Mr. FISH. I am surprised someone from the South advocates a higher bracket. I could understand someone like Mr. Lynch from New York advocating a \$200 ceiling, but I am surprised at someone from the South advocating that. We thought you were paying low wages down there. We thought you were taking all our business away because of that. I can see you have real statesmen down there.

Mr. CAMERON. Thank you, but we do not object to what wages we pay if you will pay us for our products.

(4) *Social-security taxes, particularly unemployment compensation.*

This deals, of course, with both Federal and State laws. Any fixed percentage or arbitrary amount to be paid for this purpose is unjust, unfair toward little business, and so unjustly increases the cost of doing business. Most employees of little business personally know the management and the management knows them. The employment begins because of this mutual acquaintance, knowledge, and trust, and each has a personal interest in the other, and so both are interested in making the association permanent and the business successful. Result: Practically no turn-over in labor and no unemployment compensation paid. But in large business the contrary is true. So the money so paid by little business goes to employees of big business, and the money paid by little business, which is not needed, has enabled the authorities to accumulate enormous surpluses in these funds.

Recommendation: A reasonable assessment based on experience—a merit system.

Most little businesses compensate their regular employees when ill and are reluctant to lay them off during slack periods. They receive no reward for their generosity in their social-security and unemployment-compensation taxes. Our company paid into the Federal and State treasuries during the year of 1943, which was an average year, to this fund upward of \$13,000. There was returned to our employees less than \$500. We feel that we have contributed to the payment of unemployment compensation to others who were not as generous and as fair with their employees.

(5) *Antitrust laws.*

No repeal or radical change in our existing antitrust laws should be made, provided a reasonable and fair policy of enforcement is followed. These laws are essential to the existence and success of little business. Without them unfair competition and trade practices on the part of large business could destroy any little business, no matter how large or small the competition might be.

I admit this matter involves more a matter of enforcement of existing laws, or the lack thereof, than it does changes in the laws themselves.

(6) *Office of Price Administration.*

Little business is 100 percent against inflation, therefore has been in accord with the principles of O. P. A. during war. We have very much disapproved of their regulation methods. In many instances they have been very unfair to little business. Little business feels that it has not had the voice that Congress intended for it to have in formulating policies in conjunction with the appointed authorities. Large business has invariably promulgated and dominated these policies, and the little man feels that they were often very discriminatory to his business.

No two sections of the Nation are alike, some rural, some agricultural, some industrial; therefore the national yardstick applied to all business of the Nation, regardless of the type of service rendered, is unfair. O. P. A. has been rather insistent on destroying the little corner grocer, eliminating the middleman who from time immemorial has rendered a needed service to certain types of merchants and to certain sections, and in instances O. P. A. has forced the little merchant to post in his place of business the prices offered by large chain stores which rendered no service in comparison with his. Little business resented this, but it accepted the discrimination because its country was at war.

Mr. REECE. We had a very good example of that called to our attention.

A man had organized a grocery combination store out in a community where there were some 100 families living who had petitioned him to do so. After he got into operation the Gasoline Rationing Division denied him any gas for the operation of his pick-up truck, which meant he could not do business at all.

Those sections are making a substantial contribution to the war effort. They are producing crops, they are producing lumber and yet they go on the theory they should stay out there and starve and we get no concessions.

Mr. WORLEY. With all these faults, Mr. Cameron, of the O. P. A., and they are numerous, is it better to continue with the O. P. A. or would you prefer to see all restrictions lifted?

Mr. CAMERON. Within 6 months after the termination of the war, O. P. A. should positively be discontinued. Does that answer your question?

Mr. WORLEY. Yes; it does.

The CHAIRMAN. I think the law provides that the O. P. A. should be terminated.

Mr. CAMERON. I have never seen one of these agencies limited; they always work some scheme to continue the job.

I have no objection to it, I am against inflation. It is common sense. A man dealing in commodities like I am dealing in is scared to death of it, but I like a man who comes to tell me about it who knows what he is talking about.

The CHAIRMAN. Just following that along, if I understand your position on the O. P. A. and other governmental regimentation, that is, it is essential during the war.

Mr. CAMERON. Absolutely.

The CHAIRMAN. But the people want to have some assurance that it will terminate at the end of the war?

Mr. CAMERON. You are correct 100 percent. At the present time there is many a little businessman who is going to carry on until the war is over. But when it is over, if he has to go through what he is going through now, he is not going to consider expanding, but, in fact, he is considering retracting.

Mr. REECE. Do you think that is true in a measure of what might be termed "the larger business men," too? For example, I heard a man say the other day, who is drawing a \$100,000 salary, which only netted him in view of the income bracket he was in, \$4,000, while he could not afford to quit while the war was going on, when the war was over there would be no incentive to continue.

Mr. CAMERON. I think that is probably correct, but I am speaking for little business, I cannot speak for the \$100,000 man.

If O. P. A. is not discontinued, little business will have no desire to further expand and in many instances will discontinue its present operations.

10. WAR BONDS

The Government has sold many, many billions of dollars worth of bonds in order to finance the prosecution of the war. These bonds have been bought and are now owned by every type of business, large and small, and last but not least, by the banks of our Nation, both large and small, who are very large owners of the same. To all intents and purposes, Government request of banks to purchase bonds is tantamount to demand. No one criticizes the Government for selling the bonds, or demanding their purchase, if necessary, but the Government must keep faith with the public and institutions who have bought them, by sustaining their value after the war. Shortly after World War I, War bonds sold as low as 80 cents on the dollar; if this is allowed to happen again, it will bankrupt the entire Nation.

The Government in order to protect itself must find ways and means to protect the market value of its security, namely, War bonds.

The little businessman is looking to Congress for bold and courageous action during the trying time confronting us, where nothing short of courage will suffice.

The CHAIRMAN. Thank you very much, Mr. Cameron. It was splendid of you to come up here at your own expense to give this important committee of Congress your views as to the little businessman and the point of view of what you term the "grass roots." I think this committee and the Congress are intensely interested in your views and in the statement that you have made.

Mr. WELCH. I desire to compliment Mr. Cameron on his fine, constructive statement. You are absolutely right. The little businessman must by all means be encouraged and rehabilitated. It should be one of the principal objects and aims of this committee to put little business back on its feet insofar as it is possible.

Mr. FISH. You say "the wage freeze has been very unjust to deserving white-collar employees, and management is powerless to reward them according to their proven merits." You can apply to the War Labor Board for increases.

Mr. CAMERON. You can apply to the War Labor Board; they have three of these boards. My experience has been as to the lower brackets, that is very satisfactorily handled; it is a State organization. When it comes to the next group, the salaried group, which is not termed "hourly employees," it has not been satisfactory. We have gotten some increased compensation. As an illustration, prior to 1940 our company operated a very small distributing feed house at Gulfport, Miss. With the advent of the Army and Navy into that vicinity we were approached to enlarge our facilities and put in an excessive amount of refrigeration equipment—there being no refrigeration for the storage of fresh fruits and vegetables in that vicinity. The volume of this business, when expanded, increased tenfold. Therefore, we had to change the personnel accordingly. The young lady who kept a small set of books there drew about \$125 a month, which was in line with the work she was doing. Naturally, when we expanded the business we had to place an experienced accountant in charge of the office. I applied for compensation for this accountant on the basis that we were paying for similar work at our other branches. It was a herculean job to explain to the authorities why this was necessary.

Mr. FISH. You find a lot of red tape, I suppose, and wasted effort, and you have to hire lawyers and accountants to even get any increase for the small employees.

Mr. CAMERON. You are exactly right. On the 1st of January when we found it was necessary to increase salaries, due to the increased cost of living of our employees, we hired an accountant from a distant point, also an attorney to prepare the papers. They were submitted and then returned to us on two different occasions. Finally, the management itself had to give 2 weeks full time to preparing them.

Mr. FISH. I think it would be a good idea to take the ceiling price off up to, say \$37.50 a week, entirely, and let the employers deal with the employees to increase the salary.

Mr. CAMERON. Mr. Fish, in service establishments you ought to regard people according to their merits and according to their conduct. If they are on a job and are superior and more efficient and do more work, why they ought not to be put in the same bracket with the type who will not do anything. If they are, they are not going to be contented and the management cannot censor them when the management knows their cost of living is increasing.

Mr. FISH. I want to commend you for a very excellent statement, and for submitting this in writing so that we can use some of it when we look into this matter and we get ready to submit legislation.

Mr. LYNCH. Mr. Chairman, I want to compliment Mr. Cameron on his fine presentation here this morning, and it occurs to me, as a result of his statement, that if we have not already formed a subcommittee on small business, that it might be well for this committee to have a subcommittee to look into the points that have been raised here this morning by Mr. Cameron. I offer that suggestion.

The CHAIRMAN. I think that is a suggestion, Mr. Lynch, well worth considering. Of course, the two are so related that it is rather hard to distinguish between them. The problems are very much the same. However, I think it should be considered.

Mr. DEWEY. Mr. Chairman, I was tremendously interested, and I wish to compliment your statement.

Mr. CAMERON. Thank you.

Mr. DEWEY. There is one thing overlooked, I think, by little business, and I hope in your talks and consideration of this subject you will think of that, and that is the inheritance tax.

Under our present tax laws on renegotiation of contracts, practically all profits and reserves have been taken away, particularly from the small business that does not have a capital set-up.

Mr. CAMERON. That is correct.

Mr. DEWEY. There are many small companies owned by an individual, where he has put in and brought back year after year everything he has made into the growth of his company. When the day comes for him to leave this life, how will he meet the inheritance tax on that basis? I have already made some suggestions in the Ways and Means Committee at various times as to the present payment of some form of nontaxable life insurance or the setting up of some fund or the purchase of some particular type of security out of his earnings which would be kept by the Treasury and applied later on to pay the inheritance tax on the company, but which would not be added to the man's estate. You get into one of the pyramiding situations, and a man would have an income tax to pay, we will say, of \$100,000 and he sets aside the \$100,000 to meet that, but that \$100,000 goes on top and he does not need \$100,000, he needs \$120,000. Then that extra \$20,000 is taxed as part of his estate, so he does not need \$120,000, he needs \$130,000 and that extra \$10,000 is again taxed. He never finds an end. There will be many little businesses that will be thrown on the market, picked up for a small sum by a competitor or go out of business completely. I think that is one of the situations that must be given consideration at the time of our tax reforms.

Mr. CAMERON. I am certainly delighted to hear you say that. I would like to say this off the record.

The CHAIRMAN. Off the record.

(Discussion off the record.)

Mr. DEWEY. While your interesting statement covered many points, I wanted to inject that because I thought that it should be given your consideration.

Mr. CAMERON. I am glad you brought it out.

Mr. WOLVERTON. I have waited merely to express the same commendation that the other members of the committee have expressed with reference to this well prepared and well considered statement that has been given by you this morning. You have certainly given a statement that bristles with self-evident truths, and I felt I should stay long enough, though I had no question to ask, to add my word of commendation to the service you have rendered by making the statement before the committee.

Mr. CAMERON. I appreciate that.

The CHAIRMAN. Mr. Worley wanted to ask a question.

Mr. WORLEY. I would like to concur very heartily in the statement made by Mr. Wolverton. You have spoken plainly, in simple, understandable language, it is easy to understand you speak our language, Texas language

You brought up a matter that I would like to elaborate on just for a minute. You, of course, like everyone else, endorse the idea of eliminating these bureaus. You said awhile ago you saw a lot of them created but none of them was abolished. We have abolished

W. P. A., P. W. A., the National Resources Planning Board, the N. Y. A., the H. O. L. C. is in the process of liquidation now and most of the peacetime agencies have been abolished.

But, on that very point, Congress in an effort to help little business, created the Smaller War Plants Corporation, which is another bureau. Congress has been interested in that problem, but those who are not interested in the smaller war plants or the smaller industries say we have created an additional bureau.

What are your views on that? Do you think it was necessary or desirable to create another bureau to help the smaller war plants or businesses?

Mr. CAMERON. You had the chairman of that bureau here yesterday, didn't you?

Mr. WORLEY. That is right; Maury Maverick.

Mr. CAMERON. I thought he presented a very, very constructive statement. He went right to the heart of the thing. Of course, he referred particularly to small industry. Well, when you get into small business, why, you cover a lot of activities that aren't grouped that way. In other words, you have your service establishments, your mercantile establishments, your laundries, every kind of agency that comes under the class of small business.

Mr. WORLEY. You endorse the idea behind the Smaller War Plants Corporation?

Mr. CAMERON. I certainly do.

Mr. WORLEY. At the same time, Mr. Maverick is considered a bureaucrat and ought to be eliminated; that is thought by a lot of people.

Mr. CAMERON. There are different types of bureaucrats.

Mr. WORLEY. That is right, there are different reasons as to why these bureaus are set up.

Mr. CAMERON. I am in favor of any bureau that comes in with a view of helping. I am opposed to any bureau or bureaucrat who has no practical experience or knowledge of the business that he is supervising, who cannot interpret the regulations, and who, when asked for information, invariably has to get it from Atlanta or Washington.

Mr. WORLEY. I think there would be unanimity of opinion as to your statement there.

The CHAIRMAN. The committee will stand adjourned.

(Whereupon, at 11:45 a. m., the committee adjourned.)

POST-WAR ECONOMIC POLICY AND PLANNING

THURSDAY, JUNE 15, 1944

HOUSE OF REPRESENTATIVES,
SPECIAL COMMITTEE ON POST-WAR
ECONOMIC POLICY AND PLANNING,
Washington, D. C.

The special committee met, pursuant to adjournment, at 10:30 a. m., in room 1304, New House Office Building, Hon. William M. Colmer (chairman) presiding.

Present: Representatives Colmer (chairman), Lynch, O'Brien, Fish, Reece, Welch, and Dewey.

Also present: Marion B. Folsom, director.

The CHAIRMAN. The committee will come to order.

Mr. Folsom, you had a statement?

Mr. FOLSOM. Yes; we planned to have Mr. Fennelly before the committee yesterday on the question of small business after the war.

Mr. Fennelly is executive director of the Committee for Economic Development.

Because of lack of time we didn't get to him, but he has a prepared statement and would like to submit it as part of the record.

The CHAIRMAN. Without objection, it will be considered a part of the record.

(The statement referred to follows the testimony of Mr. Chatters and starts on p. 595.)

Mr. REECE. Will that be printed in the record?

The CHAIRMAN. Yes. We regret that we couldn't have heard Mr. Fennelly yesterday because he is a very capable man and one who knows the subject very well.

We are glad to have Mr. Walter Blucher, executive director of the American Society of Planning Officials, with us this morning and Mr. Blucher, if you would just have a seat there and utilize the time.

Do you have a prepared statement?

Mr. BLUCHER. I have a very brief statement, Mr. Chairman.

The CHAIRMAN. Well, if you desire to read that, you can proceed.

STATEMENT OF WALTER H. BLUCHER, EXECUTIVE DIRECTOR, AMERICAN SOCIETY OF PLANNING OFFICIALS

Mr. BLUCHER. The American Society of Planning Officials is a private organization of some 1,200 members, representing practically every active official planning agency in the United States. Two-thirds of the members of the society are representatives of official planning agencies in cities, counties, regions, States.

We also have members in more than 20 foreign countries, including a number of Central American and South American countries. One-third of the members of the society represent business and industry or persons with a general interest in planning.

I have been asked to speak also for the Illinois Post-War Planning Commission, of which I am a member.

In this formal statement I would like to confine myself to two aspects of the planning problem. Although these are crucial aspects for the post-war years, they are problems that are with us today. We certainly cannot wait until the war is over to attack them.

These two problems involve general community planning and the preparation of plans and specifications for specific post-war public works projects. I am making no comments in this statement with respect to the financing or actual construction of post-war public works.

There has been a great deal of talk throughout the Nation regarding the need for specific plans and specifications for public works that might be constructed when the war is over. There has been a great deal of talk but, in the total picture, comparatively little effective action. The total amount of public works in the plan stage, with financing arranged and necessary land acquired, is pitifully small.

The first test of a public work should be its necessity and desirability in the community, but we do think in terms of public works as a method of providing post-war employment.

If all of the projects that have been listed throughout the United States were in the plan and specification stage, the amount of employment that might be provided would still be small in relation to the total employment picture.

For that reason, we don't wish to overemphasize the importance of public works.

We believe that there has been underemphasis on an even more important aspect of the planning program, and that is general community planning. It is not possible to have a rational program of public works until a community knows what its over-all needs will be.

Those needs are not determined by listing every public improvement that everybody in the community can think of.

The community should first know what its probable economic future will be.

The community must know how many people and what kinds of people will reside in the community.

Determining these two points is not always easy, but an attempt must be made to determine what the community's future will be before that community engages in the construction of specific public works.

Permit me to give you some examples.

A community in central New York has written to us saying that its population, which was 3,000 before the war, has increased to more than 10,000 during the war. That community manufactures a part for airplanes.

Some of the people in that community believe that they will retain their increased population.

The first thing that a town must do is to make a realistic appraisal of its future. Is it going to develop a public-works program, including sewers and sewage-disposal facilities, water facilities, highways and transportation, housing, recreation, community facilities, and so forth, for 3,000 people or for 10,000? Obviously, if the community's population is going to shrink to 3,000, it would be wasteful to extend public facilities to provide for a population of 10,000.

Yet we find many communities throughout the United States talking about specific public improvements without having done the preliminary job of determining what the community's economic future will be; how many people will be in the community, and what their requirements will be.

I wish to repeat that this is not a simple task in cities like Portland, Seattle, Detroit, and Wichita, but it is a task that must be done by every community in the United States, and that it is much simpler in the communities which have not had the wartime dislocations of the cities I have mentioned.

In a large city in Ohio that I visited recently only 11 percent of the school facilities in one particular area are being used.

This is not a run-down, blighted area where the population has left. This is one of the newer outlying developing areas.

The school authorities apparently failed to make the necessary general studies to determine the nature of the development in the community, the direction of growth, the size of families, the speed of growth, the number of people, the number of children.

Those decisions are what we mean by community planning.

In another State that I visited recently the State has made an appropriation for assistance to cities in the preparation of specific plans for public works.

The first application to be received from any city was for a bridge to cost \$70,000. The total grant from the State to that city will be taken up in the preparation of plans for this single improvement.

The question I asked at a meeting I attended was whether the community had prepared a general community plan, whether it was in a position to determine whether that bridge was the most-needed public improvement or was so important to the community that it was willing to spend its entire State appropriation for a single project.

There are some people who believe that the function of a community planning organization is the preparation of a public-works program.

We believe that the preparation of such a program is a final step rather than a first step.

The American Society of Planning Officials has been putting on a series of community planning institutes in various parts of the United States.

They have been held in Michigan, Illinois, Minnesota, California, Kansas City, Mo. Most of them lasted for 4½ days.

Persons who participated were mayors, city managers, councilmen, city engineers, chamber of commerce representatives.

We have spent the 4½ days showing these people how they themselves can make the necessary studies in their communities to determine what their probable future will be or can be.

We have emphasized that community programs can be developed only by the community, but we have been very specific in telling them what factors they must consider, what steps they must take, before they can develop sound public-works programs.

These have been very successful and fruitful meetings.

I mention this merely to point out that I have been meeting with public officials in various parts of the United States and that my comments are based upon direct contact with such public officials.

It is rather generally assumed in this country that cities do not have the money with which to undertake the general community plans or to prepare specific plans and specifications. It is a fact that there is a great shortage of personnel for such planning work.

At a recent meeting in an Ohio city with the mayor and finance officer, it was pointed out that this city, subject to the 10-mill constitutional limitation, actually doesn't have the funds with which to provide all the necessary public facilities. Although the mayor was very much in favor in getting a planning program under way, he didn't know where the money could be raised.

Since the cost of general community planning is comparatively small, it is my opinion that every community in the United States that really wants to undertake a community-planning program could find money within that community to finance that program.

It is also my opinion that every community in the United States that really wants to prepare plans and specifications for necessary community projects could do a considerable amount of such work with its own finances.

In spite of that opinion I am convinced that a comparatively small amount of general community planning and more specific planning is going to be done in this country.

If the war would end within 30 days or even within a year, at the present rate of progress, we would be a long way from ready with any substantial number of public improvements.

If we are interested in having a large-scale public-works program ready which is based upon a sound program for community development, which takes into account the future needs of the community, some form of "stimulation" is going to be necessary.

I said earlier that one of the last steps in planning is the preparation of a public-works program.

In view of the fact that public works will provide comparatively little employment, it seems to us that it is the function of local government to show what it can do to stimulate other forms of development.

Mr. LYNCH. Would you read that again, please.

Mr. BLUCHER. In view of the fact that public works will provide comparatively little employment, it seems to us that it is the function of local government to show what it can do to stimulate other forms of development.

I do not have in mind such things as tax exemption.

We do know, however, that some communities might advance industrially if they were more adequately served with transportation and housing and recreation and water and sewage disposal facilities.

Part of the job of community planning is to determine what the community itself can do to insure its own well-being.

The job simply isn't going to be done without some form of stimulation.

I say this because I have met with hundreds of public officials who, at the moment, are convinced that they haven't the resources available within the community with which to do the job.

I would like to summarize my brief statement:

1. Much of the emphasis on post-war planning has dealt with the preparation of plans for specific public works.

2. It is even more important, in my opinion, that the cities have general community plans first, then that they proceed with the preparation of plans for specific projects.

3. Since public works will provide a comparatively small amount of employment, cities must develop plans which will encourage and assist other forms of development.

4. Although State resources appear to be available, they have actually been appropriated in only two States and in those two States the funds are available for specific plans and not for general community planning.

5. Many local officials are of the opinion that they do not have funds available for general community planning or the preparation of specific plans.

6. I am of the opinion that practically every community could find the money for community planning if it really wished to do so.

7. In view of this commonly held opinion that no funds are available, I believe that no extensive Nation-wide community plans or specific plans will be made unless some outside stimulation is provided.

The CHAIRMAN. Mr. Blucher, I think your statement is fine as far as it goes, but I don't know just what you had in mind in the way of augmentation of it, and there are several questions there that seem rather pertinent.

You suggest the necessity of planning. Do you recommend some form of Government stimulation for these plans?

Mr. BLUCHER. Mr. Chairman, my answer is that I don't think the job is going to be done unless there is some form of Government stimulation.

The CHAIRMAN. Well, what is your specific recommendation upon it?

Mr. BLUCHER. Well, you will see from my statement that I have said things which are apparently inconsistent, and I recognize the inconsistency of my statement.

I have said that I believe the resources are available within every community if it really wanted to do a job of community planning.

At the same time I recognize from talking with public officials that they are not going to do the job. They simply say that they haven't the money available.

The CHAIRMAN. Well, isn't it a fact that they are looking to governmental guidance, they are all looking to Washington?

Mr. BLUCHER. I think that is true.

The CHAIRMAN. As a matter of fact, that is what we have kind of educated them up to, isn't it?

Mr. BLUCHER. I think they are looking to Washington for a decision of one kind or another, and are hoping for a favorable decision.

The CHAIRMAN. I grant they are looking to Washington for the sinews to do the thing.

Mr. BLUCHER. Yes.

Many just said they are doing nothing.

The CHAIRMAN. Do you recommend that Congress authorize a fund for this development?

Mr. BLUCHER. Yes, Mr. Chairman.

I think that Congress and the Nation as a whole is interested in having this kind of thing done.

Now, recognizing that this is the responsibility of local government, and realizing that local government is not going to do the job, I think it would still be wise for Congress to provide the stimulation to have the job done.

The CHAIRMAN. Well, on what appropriation do you think the job should be done?

Mr. BLUCHER. Well, I think this should be done on a matching basis. I think that every community ought to contribute something to this.

The CHAIRMAN. To the planning?

Mr. BLUCHER. To the planning; that's right.

There are two States which have made State appropriations.

A good many States have funds available in the State treasury which have not been made available to the cities.

The State of New York and the State of Michigan have made State appropriations to the cities, and that is on a matching 50-percent basis.

The CHAIRMAN. Well, could you be more specific and say what part should be paid by them?

Mr. BLUCHER. I would say a 50-percent matching.

The CHAIRMAN. Fifty percent?

Mr. BLUCHER. Yes.

The CHAIRMAN. Well, that brings it to the \$64 question. Who is going to pay for the public works as such?

Do you mean a matching on that?

Mr. BLUCHER. Do you mean on the actual construction of the public works?

The CHAIRMAN. On the cost of the actual construction.

Mr. BLUCHER. Well, you will recall, Mr. Chairman, in my statement that I said I was not discussing that particular question, because it seems to me that the important thing at the moment is to get some plans ready.

The CHAIRMAN. Yes; and personally, I have the thought that before the communities, States, and counties and their subdivisions can intelligently plan, they must know where they are going to get the funds.

That is what an individual would do if he was going to build a structure, wouldn't he?

Mr. BLUCHER. May I give an example?

In a New York community we met with the ways and means committee, which consisted of the mayor and a number of the leading merchants and industrialists.

There was presented to this committee a program of public works totaling \$90,000,000, and the committee just threw up its hands and said, "Why not make it \$900,000,000?" And they were ready to throw it out until we analyzed the program a little bit.

Now, it was discovered that some of the projects were street improvements, sewer improvements, to the total of \$3,000,000.

I turned to the mayor and said, "Where is the money coming from?" He said, "We have the money already."

Then we looked at the highway improvements. That totaled approximately \$20,000,000 and the question was asked, "Where is it coming from?"

"Well, it is coming in part from Federal highway funds, from State tax funds, and county funds. Does everybody agree we can find that money?"

Everybody agreed.

Then you had \$23,000,000 already taken out that the people were agreed on.

When we looked at the other projects that remained there was a new city auditorium, a new library, a museum: there were new public buildings—all of them considered necessary and desirable in the community—and the question was asked, "Where is the money coming from?" "We don't know."

And the next thing was, "In view of the fact that you don't know where the money is coming from, should you throw these things out the window?"

And the answer was, "That wouldn't be very wise; what we ought to do is get enough money to make some of the plans for these projects so, if and when the funds are available, we will have plans made."

The CHAIRMAN. All right.

Now, I am thinking in terms of the individual and I think that the Government ought to operate upon the same sound basis that individuals would operate on.

Now, do you think that either the Federal Government or the communities ought to expend money for plans unless they know where they would go to get the money to execute those plans?

Mr. BLUCHER. Yes, I do on certain things.

May I give you another example?

Here is a community which has been ordered by the State health department to provide a sewage-disposal plant.

It doesn't have the money at the present time with which to construct that sewage-disposal plant.

Now, there are various methods of financing a sewage-disposal plant. For instance, you can make a sewer rental charge. That is one method of financing.

I say, if you need a sewage-disposal plant that the smart thing to do is to have your plans ready; you will find the way in which to get the money, one way or another.

The CHAIRMAN. All right.

I am going to build a house. I decide I need a new home.

Now, I am not going out and spend several hundred dollars for plans and specifications for that house unless I know where I am going to get the funds to build the house on to begin with.

Is that sound?

Mr. BLUCHER. That is sound. That is very sound.

The CHAIRMAN. Then why isn't that sound—

Mr. BLUCHER (interposing). Well, I think the situation is a little bit different with respect to Government, and particularly with respect to local government.

We admit if we are going to run local government there are certain minimum facilities that we ought to have.

The CHAIRMAN. Surely.

Mr. BLUCHER. Sewers is one; water is another.

Now, they can raise the funds for improvements of that kind.

The CHAIRMAN. Yes. But why not plan for those in advance?

Mr. BLUCHER. Well, here is the situation with respect to public works:

The public works that have been planned so far and are ready to go are street improvements and sewer improvements, things of that kind, for two reasons: The amount of planning is very small; and, secondly, most communities have the funds available, or at least a number of them do.

There are a number of things that some of them need, such as sewage-disposal plants.

Now, it is my opinion that we ought to prepare for some of these badly needed improvements.

I wouldn't say where they need a new hospital or city hall that they ought to have final plans and specifications. In some cases they ought to have preliminary plans so they can estimate the cost.

But I think it is the part of wisdom to have some of the plans prepared.

Let us say that we have reached a very bad employment situation when the war is over and Congress decides very quickly to provide funds for public works on a matching basis.

Where will we be if we don't have those plans ready?

The CHAIRMAN. I quite agree with you that the plans should be ready, but I differ with you that we shouldn't also plan where we are going to get the money.

Mr. BLUCHER. I agree with you.

The CHAIRMAN. I think one is dependent on the other. I think that that community before it can intelligently plan what it is going to do in the way of post-war construction should know how much, if anything, the Federal Government is going to put up and how much they are going to be forced to put up.

But I shall not press that further.

Mr. BLUCHER. There is one point I want to make; I think we are beginning to get agreement on an important point.

I said it is very important that we have community planning as distinguished from plans and specifications.

One of the important functions of community planning is to know how much a community can do.

In other words, there isn't any point in a community making plans for elaborate developments that are, let us say, desirable, rather than necessary, which there isn't any chance that they can finance, in the hope that somebody will come along and provide the money.

I would agree with you that far.

I think it would be very helpful to the communities if they knew one way or the other whether Congress is going to do anything with respect to appropriations for public works.

Even if Congress said, "no," definitely, that would be helpful to the communities.

The CHAIRMAN. Well, as I said—maybe I am too fundamental and realistic about this thing—I don't know.

General Fleming was before this committee and he suggested that the Federal Government appropriate I forget how many million dollars for this question of planning.

He seemed to agree with you that we should do that, then the community should start to planning.

Well, I just want to make this observation, and then I am going to defer to some of the members of the committee. I am sure they want to ask some questions.

I want to make this prediction, that if that is done, we are going to find a lot of extravagant plans made by the communities at the expense of the Federal Government and plans that will never be executed when the communities find that they are going to have to put up all the money or any substantial part of it.

Mr. LYNCH, chairman of the subcommittee of this committee, I am sure has some questions—subcommittee dealing with this same subject—I am sure he has some questions he desires to ask.

Mr. LYNCH. To what extent do you think public works will give employment after the war?

Mr. BLUCHER. I think to a very small extent on the basis of projects that are being considered so far.

May I just briefly give you a summary of a recent study that has been made? For instance, the International City Managers Association has recently sent a questionnaire to all of the cities over 10,000 in this country. And we have summarized their findings.

I am reading now from an editorial which appears on the front page of the May issue of the News Letter of the American Society of Planning Officials. The title is "Let's Stop and Review the Situation" [reading]:

How many public-works projects are being planned and how ready are they? The survey shows that 167 cities over 25,000 have listed projects to be undertaken within 5 years after the war totaling \$3,300,000,000, but \$2,000,000,000 of this amount is reported by eight large cities.

Not including Chicago in the survey.

Now, if you include the Chicago figures which are about a billion dollars, you have a total of \$5,000,000,000 worth of projects for the 5-year period reported by most of the larger cities in the United States.

That is a billion dollars a year only.

And we go on to say:

But are such plans ready? It is apparent that plans and specifications are ready for the patchwork jobs. It doesn't take long to prepare a plan for a sewer extension or for the grading, surfacing, or resurfacing of a street. Sewers and streets rank first in the list of projects in most cities irrespective of their size.

In a few instances plans have been prepared for larger improvements, some of which have been delayed by the war, but for the most part, and with few exceptions, plans are in the most preliminary stages.

A further study shows that only between 10 and 20 percent of the total of \$5,000,000,000 that has been listed is actually in the plan and specification stage.

On the basis that it would provide a very small amount of employment—

Mr. LYNCH. Well, assuming that the Federal Government did contribute 50 percent to the cost of that planning of cities and municipalities, to what extent under those circumstances do you think that employment would be given?

Mr. BLUCHER. Well, all I can do is venture a guess.

It is my guess that if Federal funds were provided for planning purposes that the activity in planing would increase at least five times.

I think this is apparent from what has happened in Michigan already where a very short time ago the State legislature appropriated \$5,000,000, \$3,000,000 of which is for the cities. When I was in Michigan a week ago, and this was only 5 days after the notice had gone out, I think something like 600 communities had already made inquiries about the kind of assistance they could get.

Mr. LYNCH. How many communities indicated any other interest besides the question of assistance they would get? Did they indicate that they had any plans of their own that they were waiting to receive financial assistance on or did they indicate that they had no plans?

Mr. BLUCHER. Let me answer this by saying that one of these institutes that we put on not long ago was a 1-day institute in Galesburg, Ill., where we had something like 90 municipal and county officials present.

I would say that everyone of them was interested in doing something. Everyone of them thought it was important that he do something immediately; and at the same time the opinion was almost equally unanimous that they didn't have the money to do anything.

Mr. LYNCH. And the taxpayers didn't want their taxes raised?

Mr. BLUCHER. In many cases the taxpayers didn't want their taxes raised.

Mr. LYNCH. So they are looking to the Federal Government.

Mr. BLUCHER. Well, they are looking to somebody.

I think it is fair to say that many of these communities are looking to the State government and the State surpluses, but unfortunately there just hasn't been any State action in most of the States.

In my own State of Illinois I think the State Post-war Planning Commission of which I am a member is of the opinion that there ought to be a State appropriation to assist the cities, and yet there cannot be a State appropriation without action by the legislature.

Mr. LYNCH. Well, do you think this matching should be three ways?

Mr. BLUCHER. I think if you try to match three ways you will delay it a great deal.

Mr. LYNCH. In other words, the States will lay back with their surpluses and let the Federal Government do what they ought to do?

Mr. BLUCHER. I think that is the case.

Mr. LYNCH. And then they will complain about the centralization of power in Washington.

Mr. BLUCHER. I think that's right. They will complain with their left hand and with their right hand accept the gift.

Mr. LYNCH. We are having a subcommittee meeting this afternoon. Mr. Blucher is the name?

Mr. BLUCHER. Yes.

Mr. LYNCH. Well, I won't take any further time.

The CHAIRMAN. Mr. Welch?

Mr. WELCH. Mr. Blucher, in addition to the post-war public works program has your organization given consideration for a plan of rehabilitation and reconversion of industries now producing war materials?

Mr. BLUCHER. One of the reasons we want a community to do a community planning job is so that they can look into their industrial situation.

When you do a community planning job it is government and labor and industry that gets together, and they review the situation, and one of the things which they determine is what has happened to this community during the war; what changes in population there have been, and what new industries have developed; to what extent can these new industries be developed, to what extent can the community itself by using community initiative utilize these plants for other purposes.

We are very much concerned about these matters.

Mr. WELCH. Well, shouldn't first consideration be that of assisting communities to prepare plans?

Mr. BLUCHER. You will recall that I tried to emphasize that point. There are undoubtedly some who will disagree with me. The planning of public works is the last step in this community planning program, and not the first step. I think that it is more important that we do this other kind of planning job of determining where our communities are and what they can be.

That I think is the first step, because if the community is going to lose population, certainly you don't want to plan specific improvements that won't be needed.

Mr. WELCH. Well, you say where do communities go. They all come here.

Mr. BLUCHER. No; I meant what their future is.

Mr. WELCH (continuing). Looking for public money out of the United States Treasury.

Mr. BLUCHER. This job of community planning is not being done on the scale that it should be done throughout the country.

Mr. WELCH. That is all, Mr. Chairman.

The CHAIRMAN. Mr. O'Brien?

Mr. O'BRIEN. I would like to ask one question:

In Illinois there is a surplus of about \$75,000,000 in the State treasury. They are doing nothing with it. Don't you think you should finance before you come down here?

Mr. BLUCHER. I definitely think we should finance it, and can. And I would like to add that I don't think it is going to be done in the immediate future but I agree absolutely with you that it is a matter of State responsibility that should be met by the State.

The CHAIRMAN. Mr. Dewey?

Mr. DEWEY. I have no questions, Mr. Chairman.

Mr. CHAIRMAN. Thank you very much, Mr. Blucher.

We also have Mr. Carl Chatters, executive director of the Municipal Finance Officers Association.

Mr. Chatters, we will be glad to hear from you, sir. I am sure you can throw some light on this job question that we have been discussing.

STATEMENT OF CARL H. CHATTERS, EXECUTIVE DIRECTOR, MUNICIPAL FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA

Mr. CHATTERS. Mr. Chairman, I have no prepared statement because I haven't been in my office since the committee staff asked me to appear here. I do have some notes which I shall be glad to use.

The CHAIRMAN. Just use your own pleasure, sir.

Mr. CHATTERS. The first thing I should like to mention briefly is the present fiscal condition of the cities and States.

The States do have the large surpluses which we have discussed and at the same time they have greatly reduced their debts.

The State debts in the aggregate are less than \$3,000,000,000, so they are not a material factor in our national economy.

The States have increased their surpluses and incomes because of the increased yield of the sales taxes, in Illinois and other States as well.

The cities have reduced their debts to a point where they are not a serious threat to their future except in isolated areas. The cities in the past 4 years have reduced their debts in the aggregate about \$2,000,000,000.

They have improved their tax collections to the point where delinquency is not a factor at the moment.

In 1933, for instance, the average tax delinquency, or the median tax delinquency in the large cities was 26.35 percent, whereas, in 1943 that has been reduced to 4.70 percent.

In other words, tax delinquency has been reduced from over 26 percent to slightly under 5 percent.

The short-term loans of the cities are low, in fact, they are the lowest they have been probably in a generation and perhaps longer than that, and that is a favorable factor, because when we went into the depression the thing that caused the difficulty in our cities was the short-term loans.

The cities and the States have both set up reserves.

The State reserves are in the neighborhood of \$3,000,000,000, and probably the cities' reserves are in the neighborhood of \$1,000,000,000.

At the same time they have created reserves by paying their debts, so that they have other reserves.

Mr. DEWEY. Mr. Chairman.

The CHAIRMAN. Mr. Dewey.

Mr. DEWEY. What form are those reserves in?

Mr. CHATTERS. Most of them are either in cash or they are in Government bonds. I would estimate from the statistics I have seen in individual cases that at least 75 percent of the money is invested in Government obligations.

Now, on the other hand the assessed valuations of the municipalities have gone down.

Strange as it may seem, when everything else has been going up the assessed valuation of the cities, the assessed valuation of real estate in the cities, by and large, has continued to decrease.

And when we realize that the cities get their money from the real property you can see that this is quite a factor in considering their finance programs.

It simply means that the values were inflated in 1929 and that they have been in the process of deflation since that time.

Now, it is true that the localities are dependent upon the States for their revenues, and it is necessary to look not only upon the city but also to the State and the control the State has over municipal revenues.

And another thing is this fact:

That while the increased cost of labor and materials has been offset during these last few years by the fact that municipalities have curtailed their capital outlays and curtailed community maintenance costs, they are going to be placed in a very serious situation when they can again do maintenance work.

They are going to be stuck with the higher rates of pay and higher costs of goods, and at the same time they are going to be forced to reinstate on their financial programs the cost of major maintenance plus the cost of capital outlays, and I think none of us feel that the rates of pay are going to be decreased or that the price levels are going to go down.

So you will see that the costs municipalities have now plus the increased cost means that we are going to get some shocks in the communities where the people think we are going to get back to normal as soon as the war is over, due to the things that must be done that have been neglected in the immediate past.

Perhaps two things will need to be done if unemployment occurs.

Certainly the States ought to give greater grants-in-aid, and perhaps the Federal Government ought to have responsibility for unemployment. I will go into that a little more fully a little bit later.

Now, you are primarily interested in the public-works aspect.

I agree with Mr. Blucher that plans are not far advanced, and the number of municipalities that have plans where they could go to work immediately, are relatively small. The amount is not great; it is not sufficient to take care of widespread unemployment if widespread unemployment should occur.

The CHAIRMAN. If I may interrupt there, Mr. Chatters.

Public works as an answer to unemployment, well, it just isn't an answer, is it, on a wide basis?

Mr. CHATTERS. In my opinion public works cannot solve the problem of unemployment. It can be very helpful in a transition period in special communities with special problems and for limited periods of time, but as the sole solution of unemployment, it simply is not the answer, because of the cost involved. We couldn't afford to take care of tremendous amounts of unemployment by public works alone because of the cost.

The CHAIRMAN. We only have to analyze the situation in 1933 when we had a national indebtedness of approximately \$50,000,000,000, I think, and we undertook the P. W. A. and the W. P. A., and so on, to bring up employment.

At that time at the height of the W. P. A. we only gave employment to about 3,000,000 people, didn't we, on a subsistence wage scale?

Mr. CHATTERS. At one time it ran slightly more than that.

The CHAIRMAN. Well, approximately.

So we recognize that that is not the answer.

Ot the same time, sir, I agree with you, and I hope I won't be misunderstood about that, there should be plans for public works in the post-war period, and I think that it is essential that we do it.

The question of how we do it of course is a question.

Mr. CHATTERS. Well, the question of timing—

Mr. DEWEY (interposing).

The CHAIRMAN. Mr. Dewey.

Mr. DEWEY. I just have not heard mentioned in any of the witnesses' testimony where it comes to public works in this period that may follow the cessation of the war before we can get reconversion accomplished and before employment is started again, I have never heard any of the witnesses make any reference to this tremendous back-log of savings that has developed during this period of the war.

Now, the last time I investigated it, which was during the last tax bill, I think my colleague on Ways and Means, Mr. Lynch, will bear me out, it was running somewhere from 91 billions to 95 billions of dollars in actual savings accounts or savings bonds, private deposits, leaving out corporations.

Now, that comes pretty near to a sum that is almost equal to $1\frac{1}{4}$ years pre-war national income.

Now, as it was developed, our national income at the present time—four-fifths of the national income at the present time falls into the hands of individuals whose annual income is \$5,000 or less; which must mean except in the very low-income group that 91 to 95 billions of dollars—and I presume it is much more than that now—must be pretty well spread.

In other words, the people have fat to live on for a brief period, but I have never heard that taken into account or considered in these employment plans that are to be put into effect immediately following the cessation of the war and until normal employment can be taken up.

Have you given consideration to it?

Mr. CHATTERS. Mr. Dewey, I have gotten my experience in public offices and not as an economist and so I am not prepared to answer that, except to say that I think you are correct, and unless public works are properly timed, they may contribute to inflation rather than prevent inflation.

Mr. DEWEY. I think though that you gentlemen who are giving such careful consideration and study to the public works program should take into account and keep in touch a little with the savings of the people.

Mr. CHATTERS. Well, I think this is true, that unless the cities spend their money at the proper time, they may do more harm than good.

They ought not necessarily plan to spend their money the minute the war is over. It may be 6 months, 1 year, or 2 years before they should spend.

Therefore the timing of the expenditure is just as important or more important than the amounts, and though public works may be comparatively small in amount, that doesn't minimize their importance in the conversion period or in the period when we may have deflation.

Mr. DEWEY. I think the timing factor is most important.

Mr. CHATTERS. The timing factor in my opinion is perhaps the most important of all, because the volume is relatively small, and therefore the timing must be proper in order to get the benefit from public works.

Otherwise we will not relieve unemployment and we may create inflation.

Now, this is true and it is one argument for planning, that in the cities when master plans are prepared, the expenditure of large sums of money may do more harm than good.

Our cities are run down at their centers, and if they spend money on public works which will tend to aggravate that situation, we may put our cities back for a generation or two generations instead of putting them ahead as we should.

If we develop the outlying areas instead of redeveloping the inside areas, then we may do more harm than good.

Therefore, I think the first thing is a master plan around which cities may do their work.

I say that as one primarily interested in financing, not necessarily in planning.

If there are Federal grants or State grants for work or work relief, then the municipalities which have some money of their own and have plans, they will get something permanent, whereas, the cities that have no plans or no money may come out with leaf-raking.

Now, some of you may think that the city of Chicago doesn't amount to much. I live there and I think it does amount to something. The Chicago Park Commission had plans and we have something to show for the amount of money spent in Chicago.

One thing that interests you is the amount of money which the local governments may have available for public works. In my opinion that amount is very definitely limited by the sum of three or four items.

It is not the amount of the deferred maintenance of the municipalities. The money which municipalities will spend on public works is made up in the aggregate of their post-war reserves, which they have in the form of cash, plus some increases in taxes, plus saleable loans that the people or the legislative body, or both, will authorize, plus the relatively small amounts now being spent for operating purposes that may be spent for capital outlay; and in my opinion that is the amount of money that is going to be spent.

You are going to take their reserves, you are going to take some very mild increase in taxation, and you are going to take the amount of bonds that the municipalities can sell and that the governing body will authorize.

The total for all municipalities, I think, will be somewhere between one and one-half and three billion a year for 5 years.

Now, that will not develop a tremendous amount of jobs.

It would provide somewhere between 300,000 and 600,000 jobs on all public works.

And that is one of the reasons why timing is so important. The figures are for municipalities, and not for the States or the expenditures from Federal funds.

Now, it seems to me the States ought to accept greater responsibility.

In the first place they have the fiscal powers, and in the second place they have the money at the present time; and in the third place they have the responsibility because of the powers they are given under the State constitution.

In the first place States ought to share more of their revenue with the localities.

The localities over a period of 40 years or more have spent a major portion of their money to make it possible to operate automobiles, but the States have taken practically all of the automobile revenues.

In my opinion, that is the greatest fiscal injustice that has ever been done.

The municipalities have the direct expense to make it possible to operate the automobile, either through the construction of streets, the maintenance of streets, or the policing of the highways.

It seems to me the States ought to accept greater leadership in planning, the expense of planning, and so on.

Now, secondly, what might the Federal Government do now?

The Federal Government ought to make as clear as possible its own plans for the conversion and post-war period, because the Federal Government by its action can upset any and all plans of the States and localities and, regardless of what the States and localities may plan to do, your action here can upset any and all plans which they may make, because you may make plans which may be different from theirs or will encourage other programs.

And, therefore, if it can be clear in a general way what the Federal Government expects to do it will make it easier for both the States and the localities.

Next, I think you have to take responsibility in the communities which have been upset by the war, either by war industry or the location of camps.

That is an expense connected with the war and it is a consequence of war activity.

It seems to me that the entire country would be better off if you would accept the responsibility now of going into those communities and helping them plan what they are to do when the war is over, or before the war is over and the activity slows up or ceases entirely.

That is a cost of the war, it is primarily a Federal problem, it would cut down greatly the total expense of a program of public works or unemployment relief or any other program of that kind if you first take care of the communities which are most upset. If you do not, then you are going to make a program on a national scale which will be aimed at spending the money at the highest possible level to meet the difficulties in the places that are most upset, and if you should take care of those places which are in the greatest difficulty because of the war, you would cut down by nearly 50 percent, in my opinion, the total amount that you would need to spend after the war to get the whole country on its feet.

The difficulties will be greatest in those communities upset by the war through either the influx of population or through the migration of the population to other places, and if you could take the responsibility for seeing that those communities are properly taken care of, even if you give help in excess of what you give other places, I think it would be well taken.

And I think you have the responsibility in those places, regardless of what you think about the responsibility in other places.

MR. DEWEY. I was just going to ask you to elaborate a little bit on the kind of help you would suggest giving.

MR. CHATTERS. I think you ought to go in there, the same as you do now through the Committee on Congested Areas, which is operating I understand through the Bureau of the Budget.

I believe that you should go into those communities and that you should try to take the initiative with the local people in working out their problems for the present, and for the future as well. Those

communities need to know most of all what is going to happen to them.

The CHAIRMAN. Well, specifically how would you help them?

Mr. CHATTERS. Unfortunately, there is no longer, as I understand it, any over-all planning agency in the executive branch of the Government through which that could be done, but I think it should be set up either in the executive branch or in the legislative branch as a planning agency and go on directly with the proper kind of a staff to advise those places.

You need to tell them what they need to look for, and then help them see when industry is going to leave and when the military situation is going to change.

You know those things now, or you are able to get the information, where the people of the communities cannot.

You should help those people understand in advance what is going to happen to their communities, and you ought to then help them survey the situation to know where the people came from, where they are likely to go to; and you need to help to get rid of those people, get them back to where they want to go, and plan special programs where the need is going to be the greatest.

The CHAIRMAN. Well, if I may interrupt, Mr. Chatters, right there:

A lot of these communities which you refer to are scattered over the country and they are going to have real problems. I can appreciate that.

I live in a little community, normal population of 5,000. Now, due to shipbuilding it is around 30,000.

The Federal Government under the provision of the Lanham Act passed by the Congress would help these communities. It has helped that particular community. It has assisted them in collecting their sewage, in their streets and other facilities, has even helped them in some instances on their police and fire forces.

Now, of course, we all recognize that when the war is over and the shipbuilding is finished that there is not going to be employment for 30,000 people in a 5,000 community.

Now, are you suggesting the Federal Government should undertake to tell those 20,000 or 25,000 people that are going to leave this community where they should go, assist them in transportation, and so on?

Mr. CHATTERS. No; I am suggesting that it would be wise for the community to know where they came from and perhaps what the plans of those people are, and it might also be wise if that community has further needs on maintenance of ways or rebuilding of its streets, that in those communities the public-works program should be started first to alleviate unemployment.

The CHAIRMAN. Well, I am wondering if under the provisions of the Lanham Act if they are not going to be better off, so far as the streets and facilities are concerned, than the communities that haven't been helped directly by the Federal Government.

Mr. CHATTERS. My answer to that is, "No"; that there were probably 5,000 people in that town, which was probably a nice little Mississippi town before the war, but it is going to be a mess, and the people are going to find themselves living in a city which is not half as desirable as it was before the war.

The CHAIRMAN. I am in thorough sympathy with that because I have experienced that.

Mr. CHATTERS. I don't know what community it is but they are going to have to operate those facilities which they won't need. You are going to have a plant for 30,000 people and a population of 10,000 or maybe 15,000 and they are stuck with the operation of that plant.

The CHAIRMAN. Well, rather than suggesting that Federal funds should be used for rehabilitating that community, you are suggesting that some agency ought to be authorized to study their problem?

Mr. CHATTERS. That is what they need to know first, just what their problem is.

Mr. DEWEY. Mr. Chairman.

The CHAIRMAN. Mr. Dewey.

Mr. DEWEY. In the good old days there apparently was a little more self-dependency than there is now.

There isn't a town in the country that doesn't have a chamber of commerce or businessmen's organization, and I should think rather than attempting to set up some new big agency that is centralized rather than being decentralized, that we might stir up these organizations, these chambers of commerce, and have them now start making investigations for the facts that they may want to know later.

They are the best ones to know.

Mr. CHATTERS. Well, Mr. Dewey—

Mr. WELCH. Mr. Chairman.

The CHAIRMAN. Mr. Welch.

Mr. WELCH. Off the record.

(Discussion off the record.)

The CHAIRMAN. I am sorry that you asked that this colloquy be off the record, because I think it ought to be in the record. I am in accord with both of you.

Mr. REECE. Mr. Chairman, Mr. Blucher referred in his testimony to his organization as a similar organization and possibly this applies in a measure to you also:

Is not one of the purposes of those voluntary organizations to cooperate and encourage the municipalities to do systematic planning?

Mr. CHATTERS. Yes.

Mr. REECE. And if so why couldn't those organizations be the motivating force for the cities, motivating and guiding, rather than the Federal Government, since those comprise the representatives of the cities?

Mr. CHATTERS. There are several organizations of that kind that are interested in helping the cities and getting them the leadership they want, and I think that is a practical way of helping them out of their difficulties.

Mr. BLUCHER. May I interpose there too in answer to Mr. Reece?

The CHAIRMAN. Yes.

Mr. BLUCHER. One of the things we have been doing is to hold these meetings throughout the United States, to which we brought the mayors and councilmen and city engineers and city representatives for the sole purpose of telling these people that it is their local responsibility, they have got to do the job, and showing them how they can do the job.

That is one of our prime interests at the present time, and I just wanted to tell you that I agree with you completely that that is a thing that ought to be done.

The CHAIRMAN. All right, Mr. Chatters.

Mr. CHATTERS. The other things are brief. They won't take over 5 or 6 minutes I think.

There is an honest question of course as to how much money the States and municipalities could spend for planning if they actually had the money.

That is, can they obtain the engineering services and the services of expert planners if the money is available?

If there is money to be advanced for planning it ought to be clear whether that money can be spent properly, whether the people are available to do the planning.

It seems to me the Federal Government should not do a tremendous amount of planning but that it should do the work of stimulating activity.

I agree with Mr. Dewey that the planning ought to be done in the community and not try to build up another large Government agency.

It ought to be an agency that would stimulate the planning by telling them what facts to get and how to interpret them.

That seems to me ought to be the part of the Federal Government in the planning.

The CHAIRMAN. Are you familiar with the work that is being done by the Committee for Economic Development?

Mr. CHATTERS. The office of the Director of the Committee for Economic Planning is right next to me.

The CHAIRMAN. Don't you think they are doing a good job?

Mr. CHATTERS. I certainly do. The industrialists are going to know a good deal more than ever before about conversion of industry.

Now, you talked about the financing of improvements. I have said for the last 10 years that it does little good to plan unless you know where the money is coming from. If it is for unemployment relief, perhaps the Federal Government has a responsibility there, but beyond that there is one thing the Federal Government can do, which it has done before, which will be very helpful, under the program in which the R. F. C. and P. W. A. cooperated.

Sums were loaned to the communities so that they financed their construction with their own funds.

Self-respecting communities that are not able to borrow for one reason or another can get the money through an agency of that kind.

One of the things that could properly be provided for by the Federal Government would be another program of loans on a sound basis, as sound as it was through R. F. C. and P. W. A.

The history of those loans is a good record. Most of them have been paid back. Most of the bonds have been sold at a large profit, and there are comparatively few bonds left in the hands of the R. F. C.

The small municipalities which cannot get into the public market can finance their needs this way.

I know through being a member of the Board of Review of the P. W. A. that the loans were soundly made, and a thing of that kind would be excellent to have again.

The smaller places do need help and they need leadership, and I say again, that I do not believe the Federal Government has responsibility for local public works except as it is related to unemployment.

Unemployment is a national problem, not a local problem. It becomes more and more a national problem. The unemployment growing out of the war seems to me a national problem.

To that extent the Federal Government has a responsibility in the localities, but I feel that it has no responsibility for public works as such unless they are related to unemployment.

What we need more than anything else is some leadership, and, unless the Federal program would develop the leadership, then there would be no use in putting out the money.

The CHAIRMAN. Thank you for your statement.

Any further questions?

Mr. Folsom—

Mr. FISH. Mr. Chairman.

The CHAIRMAN. Mr. Fish.

Mr. FISH. How do you propose that this committee get in touch with the local committee or the city committee or county committee that is interested in public works and their efforts to provide employment?

Mr. CHATTERS. Were you addressing that to me or to Mr. Folsom?

The CHAIRMAN. It is Mr. Fish.

Mr. CHATTERS. I heard you mention Mr. Folsom. I thought you were addressing that to him.

Mr. FISH. No.

Mr. CHATTERS. I think you need a small Federal agency which will stimulate planning. The bulk of the work should be done through State planning agencies and local planning agencies, with the stimulation and pressure coming from here.

That would be my suggestion.

The CHAIRMAN. Mr. Folsom.

Mr. FOLSOM. As far as the Federal Government is concerned, do you agree with Mr. Blucher that it ought to be on a 50-50 basis right through the cities, without going through the State?

Mr. CHATTERS. I think largely you have to go through the States.

I would make an exception to that. In the communities directly affected by the war I think it might be preferable to deal directly with the localities or permit them to file special requests through the State planning agencies. However, for the rank and file I would deal through the States.

Mr. FOLSOM. With reference to the special planning agency, do you think that it is time to do that now or would you deal later with that?

Mr. CHATTERS. I believe most of the States have a planning agency.

Mr. FOLSOM. Well, have most of the States got a planning commission set up now to do the things you suggest?

Mr. CHATTERS. A large number of them have.

Mr. FOLSOM. Well, isn't that the better approach rather than have them come here?

Mr. CHATTERS. If the Federal Government has an interest in employment or unemployment then I think it needs to stimulate the activity, and that should be its primary job, except in communities directly affected by the war, and I think there the Federal Government has the primary responsibility.

Mr. FOLSOM. I know it is true in New York State they have a post-war planning commission there. They are actually working with the local communities.

Why can't they do a lot of stimulating themselves?

Mr. CHATTERS. They can, and they should.

Mr. FOLSOM. There may be other committees working on the same plan.

Mr. CHATTERS. Yes.

Where there is a strong planning agency in the State I think things should be focused through the State planning agency, with the possible exception of communities which are war casualties.

Mr. FOLSOM. But you think the matching 50-50 would stimulate a great deal of planning?

Mr. CHATTERS. Well, I cannot say that I approve that formula more than any others, because if it works in half the places it doesn't work in the other half. And I believe there are places where the Government ought to pay the entire cost.

You take Vallejo and other places in California. The Federal Government has considerable responsibility in places like that because the people who lived in those communities before the war were not interested in having their cities grow from 20,000 to 100,000. They would rather see it back like it was before the war.

Mr. FOLSOM. But you would suggest a 50-50 allocation?

Mr. CHATTERS. I would much prefer to see it flexible. If you make it rigid it misfits more than it fits. It can be justified as a compromise, and that is all.

Mr. FOLSOM. Well, what do you do with States that already have a matching proposition, like Michigan and New York?

Mr. CHATTERS. There your only hope is to work it out through the State planning commission to see whether or not you need to put up anything.

The CHAIRMAN. Thank you very much, sir.

The committee will stand adjourned until tomorrow morning at 10 when we meet with the Post-War Committee of the Senate in the caucus room, Senate Office Building.

(Whereupon, at 12:10 p. m., the committee adjourned.)

STATEMENT OF JOHN F. FENNELLY, EXECUTIVE DIRECTOR, COMMITTEE FOR ECONOMIC DEVELOPMENT

Mr. FENNELLY. I welcome the opportunity to present to the House Committee on Post-war Economic Policy and Planning the views of the Committee for Economic Development on the problems which small business in the United States will face after the end of the war. As you doubtless realize, the C. E. D. is concentrating its attention entirely on the post-war aspects of such problems and has avoided entering into consideration of more immediate problems which have arisen in connection with the wartime emergency.

Since its inception, the C. E. D. has devoted particular attention to small business problems and, at an early meeting, the board of trustees expressed its conviction that the maintenance of conditions favorable to the organization and growth of small, independent enterprise is essential to the preservation of a free society after the war.

As a result of this conviction, the C. E. D. established last year a national committee on the special problems of small business, consisting of representative small businessmen and under the chairmanship of Mr. Lou Holland, president of the Holland Engraving Co., of Kansas City, and former chairman of the Smaller War Plants Corporation. This committee has been meeting regularly in an earnest study of the problems of small business and some months ago published a statement entitled "Small Business After the War," which set forth a proposed program of action.

The core of this program is expressed in the following quotation from this statement:

No solution of the problems of small business can be evolved within a brief period of time, or by the activities of any one group. These problems do not lend themselves to quick and ingenious answers, nor can they be solved merely by the enactment of remedial or punitive legislation.

What is called for is a concerted attack on the special problems of small business over a long period of time by many different private groups and by various agencies of Federal, State, and local Governments. Concurrent programs of national action and of action by each separate community will be required.

As an integral part of its proposals, the committee urged the formation of community committees on the special problems of small business in each of the 2,000 separate communities in which the C. E. D. is now operating.

While it recognized the importance of national action on the problems of small business, the committee emphasized the value and importance of decentralized and local action in each community to help small business help itself. We believe that such a program is much more consistent with the American spirit of individual enterprise than one which would propose to solve the problems of small business by means of governmental subsidies.

In its Nation-wide efforts to stimulate American businessmen to prepare bold and intelligent plans for the post-war period, the C. E. D. is concentrating its attention very largely upon the problems of the 2,000,000 medium-sized and small-business employers. It recognizes that the less than 3,500 business establishments which employ 1,000 or more workers each are usually capable of doing their own post-war planning without outside assistance.

The committee is now engaged in preparing a handbook for the use of community C. E. D. committees to guide them in coming to grips with the special problems of small business. This handbook shortly to be issued will emphasize the following areas in which community action can help small business help itself.

1. Aids to management, information needed to guide small business in general business decisions and planning.
2. Technical information, guidance, and assistance on research, new production methods, and so forth.
3. Financial and credit assistance, both as to short-term credit and long-term capital needs.
4. Opportunities for new business, particularly for veterans and war workers seeking to go into business for themselves.
5. Removal of local obstacles to the birth and growth of small enterprise.

In a statement issued last fall entitled "Post-war Employment and the Settlement of Terminated War Contracts," the research committee of the C. E. D. urged the importance of giving special consideration to small business in the speedy and equitable settlement of war contracts. In this connection it recommended that mandatory loans against war-contract claims be made available directly to small subcontractors as well as to prime contractors.

The C. E. D. research committee will shortly issue a statement in connection with Dr. A. D. H. Kaplan's research study on the subject of the liquidation of war production, contract termination, disposal of Government surpluses, war plants, and equipment. In this statement the committee will urge that contract-termination policies give special consideration to the problems of small business, particularly during the period of partial reconversion. To the extent compatible with military needs during such a period, the reopening of civilian production should be timed to coincide with contract cancellations so that small manufacturers will not be left stranded without any war orders and still unable to resume the production of peacetime goods. In connection with surplus disposal, the statement will urge that goods be made available to consumers and other ultimate users on the widest possible scale with equal opportunity and bidding, and goods offered in quantities within the reach of small purchasers. In connection with the disposal of Government plants, the statement will urge that the disposal policy be aimed at a wider disposition of facilities, and provide sufficiently liberal terms to give small business the opportunity to participate.

In the pamphlet entitled "Small Business After the War," the C. E. D. committee on the special problems of small business made the following statement:

If, as now seems likely, the first phase of reconversion involves a partial reopening of civilian industry, it is most important that small industrial units be accorded fair treatment in the allocation of materials and the establishment of production quotas. The conversion of industry to war production involved severe handicaps for many small businesses. Such handicaps should be minimized during the period of reconversion.

If the smaller units can reconvert more rapidly than the larger establishments, the small businesses should not be required to wait on the time schedules of the large companies. Moreover, limited production quotas should not be established so as to place the smaller members of an industry on an unprofitable operating basis, while permitting the larger concerns to operate at a profit.

This same pamphlet stated a belief that the antitrust laws of the United States should be strictly enforced, and recommended that continuing studies be undertaken by governmental and private agencies of monopolistic business practices, cartels, patents, trade barriers, building codes, and all governmental, business, and labor restrictions to the birth and growth of small enterprise.

I hope the above summary of our program and of our recommendations to date provides sufficient evidence that the C. E. D. recognizes fully the importance of the problems of small business and is doing its utmost to assist in the solution of these problems in a manner which will promote a dynamic and expanding economy under a system of private enterprise. As stated above, we believe that the best solution lies in enabling small businessmen to help themselves rather than one which would make them increasingly dependent upon hand-outs from the Government. If this is to be accomplished, we are convinced

small business, as well as large, must have a favorable economic climate in which to operate when the war is over. Small business has been particularly hampered by existing tax policies and by many war-time regulations and the enormous weight of paper work induced by a central system of control.

From conversations with many businessmen from all parts of the country, I can assure you that small businessmen are vastly more concerned about the removal of such regulations when the war is over and in a revision of Federal tax policies which will provide adequate incentives for risk capital than they are in any other forms of assistance which the Federal Government might provide. I can also assure you of my conviction that such a recasting of the Federal tax system after the war is vital if we are genuinely interested in the health of small business and in the preservation of a free society.

We in the C. E. D. are urging businessmen both large and small to make bold and intelligent plans for the post-war period without waiting for the necessary changes in taxation to be effected. We tell them that if they wait until all such national policy problems are settled, most of them never will be settled. We urge them to take action now in the faith that the creation of a favorable economic climate for private enterprise after the war can and will be achieved. I can assure you, however, that the sooner assurances can be given on such subjects as taxation, the sooner will it be possible for the country to move ahead into an era of expansion which we believe will be essential to solve the post-war problems of employment and all specific problems related thereto.

In addition to the committee on the special problems of small business, the C. E. D. has established a financial advisory committee, in conjunction with the American Bankers Association and the Investment Bankers Association, to advise with it on best ways and means of providing financial assistance to small business in the post-war period. Through this committee, we have been advised of the program of the American Bankers Association for providing adequate credit for small business throughout the country. We believe that this program is sound and constructive and offers great promise for small enterprise in the years that lie ahead.

Through C. E. D. community committees, we are urging the formation in every community of a central group to provide assistance to local small business in obtaining their credit and capital requirements. We are convinced that the heart of the small businessman's financial problems is securing adequate equity capital, and that the greatest hope for a solution of this problem lies in community action. The committee recognizes, however, that the ability of small business to obtain credit and capital will depend largely upon the broad question of a satisfactory climate for private enterprise, and that unless the Federal-tax structure is revised after the war so as to encourage the investment of risk capital, private efforts to finance small enterprise either on a local or a national basis are likely to prove unavailing. While the C. E. D. has as yet reached no definitive conclusions on the subject of financing of small business after the war, it does believe that every opportunity should be given to provide such financing needs through private sources, and that resort to governmental financing of small business should not be had unless and until it can be proved that private agencies cannot do the job.

Finally, I should like to express my own personal conviction that adequate financing will be available from private sources provided only that business enterprise is given a favorable economic climate in which to operate.

As an example of what I mean, I should like to cite from my own personal business experiences. For many years prior to my coming to Washington, at the time of Pearl Harbor, I served as an investment banker. As you doubtless realize, the investment-banking business was neither a very popular nor profitable profession during the whole decade after 1929. At best it is a highly risky business but, under the tax laws of recent years, it has been impossible for the profits of 1 year to offset the losses of another. As a result of such taxation and of losses incurred, the amount of capital in the investment-banking business suffered a severe decline from 1929 to 1940. I could cite you many specific instances of individuals who withdrew their money from this business because the tax laws made it a game of "heads you win, tails I lose."

As a result of these developments, I have recently heard fears expressed that the capital remaining in the business will not prove adequate to handle the volume of financing which will be required for an expanding economy in the post-war period. I can assure you that this will not be the case if there is a genuine demand for such capital expansion and provided tax laws are revised so as to make it once more attractive for venture capital to invest once more in what is essentially risk enterprise. In speaking of the investment business, I hope you will realize that I am talking about small business as well as large. There are many hundreds of small investment dealers throughout this country with capital resources of \$50,000 and less, as well as a small number of nationally known investment firms with large resources. From my personal knowledge of this business, I can assure you there is ample capital available to enter it and that it will be readily forthcoming provided only that opportunities exist for profitable operations and that taxation policies are such as to justify an individual to take the risks inherent in the business. Although I cannot speak with the same intimate knowledge, I strongly suspect that the same situation prevails in businesses of all kinds.

In conclusion I should like to emphasize my own personal conviction that it is time we all make up our minds whether or not we really wish to preserve a system of private enterprise in the United States after the war.

If we do, we must recognize that we cannot ride two horses moving in opposite directions. We cannot merely give lip service to a system of free enterprise and at the same time advocate policies which make impossible the proper functioning of such a system and promote the development of an entirely different kind of society.

NOTE: See appendix, exhibit No. 14, for H. R. 5125, bill introduced by Mr. Colmer to provide for disposal of surplus Government property and plants.

EXHIBIT No. 14

[H. R. 5125, 78th Cong., 2d sess.]

A BILL To provide for the disposal of surplus Government property and plants, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

OBJECTIVES

SECTION 1. The Congress hereby declares that the objectives of this Act are to facilitate and regulate the orderly disposal of surplus property so as—

- (a) to assure the most effective use of such property for the purposes of war and national defense;
- (b) to facilitate the transition of enterprises from wartime to peacetime production and of individuals from wartime to peacetime employment;
- (c) to promote production, employment of labor, and utilization of the productive capacity, and the natural and agricultural resources of the country;
- (d) to avoid dislocations of the domestic economy and of international economic relations;
- (e) to discourage monopolistic practices, preserve and strengthen the competitive position of small business;
- (f) to foster the wide distribution of surplus commodities to consumers at fair prices;
- (g) to effect broad and equitable distribution of surplus property; and
- (h) to realize the highest obtainable return for the Government consistent with the maintenance and encouragement of a healthy competitive economy.

DEFINITIONS

SEC. 2. As used in this Act—

(a) The term "Government agency" means any executive department, board, bureau, independent commission, or other agency in the executive branch of the Federal Government, and any corporation wholly owned and controlled by the United States.

(b) The term "owning agency" means a Government agency having control of property at or before the time when it is determined to be surplus to the needs and responsibilities of that agency.

(c) The term "disposal agency" means any Government agency designated under this Act to handle disposition of one or more classes of surplus property.

(d) The term "property" means any interest in property, real or personal, owned by the United States or any Government agency, including, but not limited to plants, facilities, equipment, machinery, accessories, parts, assemblies, products, commodities, materials, and supplies of all kinds, whether new or used, and wherever located.

(e) The term "surplus property" means any property which has been determined to be surplus to the needs and responsibilities of the owning agencies in accordance with section 7 of this Act.

(f) The term "contractor inventory" means (1) any property related to a terminated contract of any type with a Government agency or to a subcontract thereunder (except any machinery or equipment subject to a separate contract or contract article specifically governing its use or disposition); and (2) any property acquired under a cost-plus-a-fixed-fee contract and in excess of the amounts needed to complete performance thereunder; and (3) any property which the Government is obligated to take over under any type of contract as a result of any change in the specifications or plans thereunder.

(g) The term "care and handling" includes repairing, converting, rehabilitating, operating, maintaining, preserving, protecting, insuring, storing, packing, handling, and transporting.

(h) The term "option" means any contractual right to retain or acquire any property at a price and upon terms prescribed or determined by the contract.

(i) The term "person" means any individual, corporation, partnership, firm, association, trust, estate, or other entity.

(j) The term "Administrator" means the Surplus Property Administrator.

SURPLUS PROPERTY ADMINISTRATOR

SEC. 3. (a) There is hereby established the Surplus Property Administration which shall be headed by a Surplus Property Administrator. The Administrator shall be appointed by the President by and with the consent of the Senate, shall receive compensation at the rate of \$12,000 per year, and shall serve for a term of two years.

(b) The Administrator may, within the limits of funds which may be made available, employ and fix the compensation of necessary personnel without regard to the provisions of the civil-service laws and the Classification Act of 1923 and make expenditures for supplies, facilities, and services necessary for the performance of his functions under this Act. The Administrator shall perform the duties imposed upon him through the personnel and facilities of the established Government agencies so far as consistent with his duty to insure uniform and efficient administration of the provisions of this Act.

(c) The Administrator shall have general supervision and direction over (1) the care and handling and disposition of surplus property and (2) the transfer of surplus property between Government agencies.

SURPLUS PROPERTY BOARD

SEC. 4. There is hereby created a Surplus Property Advisory Board with which the Administrator shall advise and consult. The Board shall be composed of the Administrator, who shall act as its chairman, and of the Secretary of State, the Secretary of the Treasury, the Secretary of War, the Secretary of the Navy, the Attorney General, the Secretary of Commerce, the Secretary of the Interior, the Chairman of the Board of Directors of Smaller War Plants Corporation, the Chairman of the United States Maritime Commission, the Chairman of the War Production Board, the Director of the Bureau of the Budget, the Administrator of the War Food Administration, the Administrator of the Federal Works Agency, the Chairman of the Civil Aeronautics Board, and the Administrator of the Foreign Economic Administration, or any alternate or representative designated by any of them.

SURVEILLANCE BY CONGRESS

SEC. 5. (a) To assist the Congress in appraising the administration of this Act and in developing such amendments or related legislation as may be necessary to accomplish the objectives of the Act, the appropriate committees of the Senate and the House of Representatives shall study the reports and information submitted to the Congress under this Act and shall otherwise maintain continuous surveillance of the operations of the Government agencies under the Act.

(b) Within three months after the enactment of this Act, and thereafter in January, April, July, and October of each year, the Administrator shall submit to the Senate and House of Representatives a quarterly progress report on the exercise of his authority and discretion under this Act, the status of surplus property disposition, and such other pertinent information on the administration of the Act as will enable the Congress to evaluate its administration and the need for amendments and related legislation.

(c) The Administrator shall submit to the Senate and House of Representatives copies of the regulations prescribed by him from time to time under this Act within thirty days after the effective date of such regulation.

PLANNING

SEC. 6. (a) The Administrator shall formulate as rapidly as possible detailed plans—

(1) for the care and handling, and disposition of surplus property in accordance with this Act;

(2) for converting to civilian production by private industry as rapidly as war needs and conditions permit any Government-owned plants which are not needed for national defense and are capable of use for civilian production; and

(3) for facilitating the most economical use and disposition of Government-owned plants which are not needed for national defense but are not capable of use for civilian production.

(b) The Administrator shall make such studies as he deems necessary for the formulation of such plans or shall cause such studies to be made by other Government agencies.

DECLARATION OF SURPLUS PROPERTY

SEC. 7. (a) Each owning agency shall have the duty and responsibility continuously to survey the property in its control and to determine which of such property is surplus to its needs and responsibilities. For the duration of hostilities in the present war, such determination shall be the exclusive province of the owning agencies, but thereafter the Administrator shall have power to require such a determination upon a finding by him that any property is surplus to the needs and responsibilities of an owning agency.

(b) Each owning agency shall promptly report to the appropriate disposal agency all surplus property in its control which the owning agency does not dispose of under section 8.

DISPOSITION BY OWNING AGENCY

SEC. 8. (a) Any owning agency may dispose of any property for the purpose of war production or authorize any contractor with such agency or subcontractor thereunder to retain or dispose of any contractor inventories for the purpose of war production, subject only to the regulations of the Administrator with respect to price policies.

(b) Subject to subsection (c) of this section, any owning agency may dispose of—

- (1) any property which is damaged or worn beyond economical repair;
- (2) any waste, salvage, scrap, or other similar items;
- (3) any products of industrial, research, agricultural, or livestock operations, or of any public works construction or maintenance project, carried on by such agency;
- (4) any contractor inventory in its control; and
- (5) any other class or type of surplus property designated by the Administrator.

(c) Whenever he deems such actions necessary to effectuate the objectives and policies of this Act, the Administrator, by regulations, shall restrict the authority of any owning agency to dispose of any class of surplus property under subsection (b) of this section.

DISPOSAL AGENCIES

SEC. 9. (a) The Administrator, by regulations, shall designate one or more Government agencies to act as disposal agencies under this Act and shall prescribe the class or classes of surplus property to be handled by each such agency: *Provided, however*, That the United States Maritime Commission shall be the sole disposal agency for merchant vessels or vessels capable of conversion to merchant use, and that such vessels shall be disposed of in accordance with the provisions of the Merchant Marine Act, 1936, as amended, and other laws authorizing the sale of such vessels.

(b) When any surplus property is reported to it under subsection (b) of section 7, the disposal agency shall have responsibility and authority for the disposition of such property, and for the care and handling of such property pending its disposition. Where any disposal agency is not prepared, at the time of its designation under this Act, to undertake the care and handling of such surplus property, the Administrator may postpone the responsibility of the agency to assume its duty for care and handling for such period as he deems necessary to permit its preparation therefor, but the owning agency shall be reimbursed, pursuant to subsection (b) of section 17, for its expenses for the care and handling of such surplus property during such period.

(c) The Administrator, by regulations, shall prescribe policies, standards, methods, and procedures to govern the exercise by any disposal agency of its authority under subsection (b) of this section.

TRANSFERS BETWEEN AGENCIES

SEC. 10. (a) The Administrator shall establish procedures to facilitate the transfer to each Government agency, for the performance of its functions, of surplus property of other Government agencies. Each Government agency shall make the fullest practicable use of surplus property in order to avoid unnecessary commercial purchases.

(b) The disposal agency responsible for any such property shall transfer it to the agency acquiring it at the fair value of the property as fixed by the disposal agency, under regulations of the Administrator, unless transfer without reimbursement or transfer of funds is otherwise authorized by law.

METHODS OF DISPOSITION

SEC. 11. (a) Wherever any Government agency is authorized to dispose of property under this Act, then, notwithstanding the provisions of any other law but subject to the provisions of this Act, the agency may dispose of such property by sale, exchange, lease, transfer, or other disposition, for cash, credit, other property, or otherwise, with or without warranty, and upon such other terms and conditions, as the agency deems proper.

(b) Whenever the Government agency authorized to dispose of any property finds that it has no commercial value or that the cost of its handling and sale would exceed the estimated proceeds, the agency may donate such property to any agency or institution supported by the Federal Government or any State or local government, or to any nonprofit educational or charitable organization, or, if that is not feasible, shall destroy or otherwise dispose of such property.

(c) The Administrator, by regulations, shall prescribe such policies governing prices and other terms and conditions of dispositions under the authority of subsections (a) and (b) of this section, as he deems necessary to effectuate the objectives and policies of this Act.

(d) A deed, bill of sale, lease, or other instrument executed by or on behalf of any Government agency purporting to transfer title or any other interest in property under this Act shall be conclusive evidence of compliance with the provisions of this Act insofar as title or other interest of any bona fide purchasers for value is concerned.

POLICIES GOVERNING DISPOSITION

SEC. 12. In formulating regulations to govern the care and handling and disposition of surplus property under this Act, the Administrator shall be guided by the objectives stated in section 1 of this Act, and shall give effect to the following policies to the extent feasible, and in the public interest:

(a) To facilitate transfers of surplus property of one Government agency to other Government agencies for their use.

(b) To afford public, governmental, educational, charitable, and eleemosynary institutions and cooperative organizations an opportunity to fulfill their legitimate needs.

(c) To afford returning veterans an opportunity to establish themselves as proprietors of agricultural and business enterprises.

(d) To afford smaller business concerns and agricultural enterprises generally an opportunity to acquire surplus property on equal terms with larger competitors; to prescribe regulations and issue directives necessary to provide as far as practicable for uniform and wide public notice concerning surplus property available for sale and for adequate time intervals between notice and sale so that all interested purchasers shall have a fair opportunity to buy; to utilize commercial channels of distribution to the extent consistent with efficient and economic distribution, and to discourage sales to speculators; to collaborate with Smaller War Plants Corporation and to employ other appropriate means to give effect to this section.

(e) To afford former owners of surplus real property acquired by the Government by the exercise of its war powers an opportunity to reacquire such property.

(f) To encourage mutually beneficial trade relations with foreign nations and to develop foreign markets.

(g) To dispose of surplus property as promptly as feasible without fostering monopoly or restraint of trade, or unduly disturbing the economy, or encouraging hoarding of such property; and to facilitate prompt redistribution of such property to consumers.

(h) To realize the highest obtainable return for the Government from such surplus property, consistent with the policies and objectives set forth in this Act.

DISPOSITION OF PLANTS

SEC. 13. Nothing in this Act shall impair, amend, or modify the antitrust laws or limit or prevent their application to persons who buy or otherwise acquire property under the provisions of this Act. Upon the request of the Attorney

General the Administrator or any other Government agency shall furnish or cause to be furnished to the Attorney General such information as the Administrator or any such agency may possess which the Attorney General determines to be pertinent to the application of the antitrust laws to the disposition of surplus property under the provisions of this Act. As used in this section, the term "antitrust laws" includes the Act of July 2, 1890 (ch. 26, Stat. 209), as amended; the Act of October 15, 1914 (ch. 323, 38 Stat. 730), as amended; the Federal Trade Commission Act; and the Act of August 27, 1894 (ch. 349, sec. 73, 74, 28 Stat. 570), as amended.

SEC. 14. (a) No Government agency shall dispose of any surplus Government-owned plant for the production of synthetic rubber, or aluminum, which originally cost the Government \$5,000,000 or more, except in accordance with this section or pursuant to an option therefor.

(b) The Administrator may authorize any disposal agency to lease any such surplus plant for a term of not more than five years.

(c) The Administrator shall prepare and submit to Congress a report as to each class of such property—

(1) describing the number, cost, and location of such surplus plants and setting forth other descriptive information relative to the use and potential use thereof;

(2) outlining the economic problems that may be created by the disposition thereof;

(3) setting forth a plan or program for the care and handling, disposition, and use thereof consistent with the policies and objectives of this Act; and

(4) describing any steps already taken with respect to the care and handling, disposition, and use of the property, including any contracts relating thereto.

The Administrator shall request Government agencies to submit information and suggestions for use in the preparation of such reports and shall encourage States, political subdivisions thereof, and private persons to submit such information and suggestions, and he shall submit to the Congress, together with each such report, copies or summaries of such information and suggestions. After six months from the submission of a report hereunder, unless the Congress provides otherwise by law, the Administrator may authorize the appropriate disposal agencies to dispose of such property in accordance with the plan or program proposed in the report to Congress.

(d) The Administrator may authorize any disposal agency to dispose of any materials or equipment related to any surplus plant covered by subsection (a) of this section, if such materials and equipment are not necessary for the operation of the plant in the manner for which it is designed.

(e) This section shall not apply to any Government-owned equipment, structure, or other property operated as an integral part of a privately owned plant and not capable of economic operation as a separate and independent unit.

REGULATIONS

SEC. 15. The Administrator shall prescribe regulations to effectuate the provisions of this Act. Each Government agency shall carry out such regulations of the Administrator expeditiously, and shall issue such regulations with respect to its operations and procedures as may be necessary for that purpose. Any Government agency may issue such further regulations not inconsistent with the regulations of the Administrator as it deems necessary and desirable to carry out the provisions of this Act. The regulations prescribed under this Act shall be published in the Federal Register.

GENERAL PROVISIONS

SEC. 16. (a) Each Government agency shall submit to the Administrator (1) such information and reports with respect to surplus property in its control, in such form and at such times as the Administrator may direct; and (2) information and reports with respect to other property in its control, to such extent, and in such form as the agency deems consistent with national security.

(b) Any Government agency may execute such documents for the transfer of title or other interest in property or take such other action as it deems necessary or proper to transfer or dispose of surplus property or otherwise to carry out the provisions of this Act, and shall do so to the extent required by the regulations of the Administrator.

(c) Where any property is disposed of in accordance with this Act and any regulations prescribed under this Act, no officer or employee of the Government shall (1) be liable with respect to such disposition except for his own fraud or (2) be accountable for the collection of any purchase price which is determined to be uncollectible by the agency responsible therefor.

(d) Any interested Government agency may take such action for the care and handling of property subject to disposition under this Act, and for completion of any semifabricated property, as it deems necessary or desirable to effectuate the objectives and policies of this Act.

(e) Each disposal agency shall maintain in each of its disposal offices such records of its inventories of surplus property and of each disposal transaction negotiated by that office as the Administrator may prescribe. The information in such records shall be available at all reasonable times for public inspection.

(f) Nothing in this Act shall be deemed to impair or modify any contract or any term or provision of any contract without the consent of the contractor, if the contract or the term or provision thereof is otherwise valid.

DISPOSITION OF PROCEEDS

SEC. 17. (a) All proceeds from any transfer or disposition of property under this Act shall be deposited and covered into the Treasury as miscellaneous receipts, except as provided in subsections (b), (c), (d), and (e) of this section.

(b) From the proceeds of such transfers or dispositions, the agency may deduct all expenses incurred for the case and handling, completion, and transfers or dispositions of such property under this Act, and may reimburse the fund or appropriation bearing such expenses, or the corresponding fund or appropriation currently available at the time of reimbursement.

(c) Where the property transferred or disposed of was acquired by the use of funds either not appropriated from the general fund of the Treasury or appropriated from the general fund of the Treasury but by law reimbursable from assessment, tax, or other revenue or receipts, then upon the request of the interested agency the proceeds of the disposition or transfer remaining after any deductions under subsection (b) of this section shall be credited to the reimbursable fund or appropriation or paid to the owning agency.

(d) To the extent authorized by the Administrator, any Government agency disposing of property under this Act (1) may deposit, in a special account with the Treasurer of the United States, such amount of the proceeds of such dispositions as it deems necessary to permit appropriate refunds to purchasers when any disposition is rescinded or does not become final, or payments for breach of any warranty, and (2) may withdraw therefrom amounts so to be refunded or paid, without regard to the origin of the funds withdrawn.

(e) Where a contract or subcontract authorizes the proceeds of any sale of property in the custody of the contractor or subcontractor to be credited to the price or cost of the work covered by such contract or subcontract, the proceeds of any such sale shall be credited in accordance with the contract or subcontract and shall not be subject to subsection (a) of this section.

USE OF APPROPRIATED FUNDS

SEC. 18. (a) Any Government agency is authorized to use for the disposition of property under this Act and for its completion, care, and handling, pending such disposition, any funds heretofore or hereafter appropriated, allocated, or available to it for such purposes or for the purpose of production or procurement of such property.

(b) Any Government agency is authorized to use in payment for the transfer to it of any surplus property under this Act any funds heretofore or hereafter appropriated, allocated, or available to it for the acquisition of property of the same kind.

(c) There are authorized to be appropriated such sums as may be necessary or appropriate for administering the provisions of this Act.

DELEGATION OF AUTHORITY

SEC. 19. (a) The Administrator may delegate any authority and discretion conferred upon him by this Act to any Deputy Administrator, and may delegate such authority and discretion upon such terms and conditions as he may prescribe, to the head of any Government agency to the extent necessary to the handling and solution of problems peculiar to that agency.

(b) The head of any Government agency may delegate, and authorize successive redelegations of, any authority and discretion conferred upon him or his agency by or pursuant to this Act to any officer, agent, or employee of such agency or, with the approval of the Administrator, to any other Government agency.

(c) Any two or more Government agencies may exercise jointly any authority and discretion conferred upon each of them individually by or pursuant to this Act.

APPLICABILITY

SEC. 20. All policies and procedures relating to surplus property prescribed by the Surplus War Property Administration, created by Executive Order Numbered 9425, dated February 19, 1944, or any other Government agency in effect upon the effective date of this Act, and not inconsistent with this Act, shall remain in full force and effect unless and until superseded by regulations of the Administrator or of the agency in accordance with this Act.

SEC. 21. (a) Nothing in this Act shall limit or affect the authority of commanders in active theaters of military operations to dispose of property in their control.

(b) The provisions of this Act shall be applicable to dispositions of property within the United States and elsewhere, but the Administrator may exempt from some or all of the provisions hereof, dispositions of property located outside of the continental United States or in Alaska, whenever he deems that such provisions would obstruct the efficient and economic disposition of such property in accordance with the objectives of this Act.

SEC. 22. (a) The authority conferred by this Act is in addition to any authority conferred by any other law and shall not be subject to the provisions of any law inconsistent herewith. This Act shall not impair or affect any authority for the disposition of property under any other law, except that the Administrator may prescribe regulations to govern any disposition of surplus property under any such authority to the same extent as if the disposition were made under this Act, whenever he deems such action necessary to effectuate the objectives and policies of this Act.

(b) Nothing in this Act shall impair or affect the provisions of the Emergency Price Control Act of 1942, as amended; or the Act of October 2, 1942 (ch. 578, 56 Stat. 765), as amended; or of section 301 of the Second War Powers Act, 1942; or of the Act of March 11, 1941 (55 Stat. 31), as amended; or Acts supplemental thereto, or of any law regulating the exportation of property from the United States.

EFFECTIVE DATE; EXPIRATION

SEC. 23. This Act shall become effective from the date of its enactment. Unless extended by law, this Act shall expire at the end of three years following the date of the cessation of hostilities in the present war, as proclaimed by the President or by concurrent resolution of the two Houses of Congress.

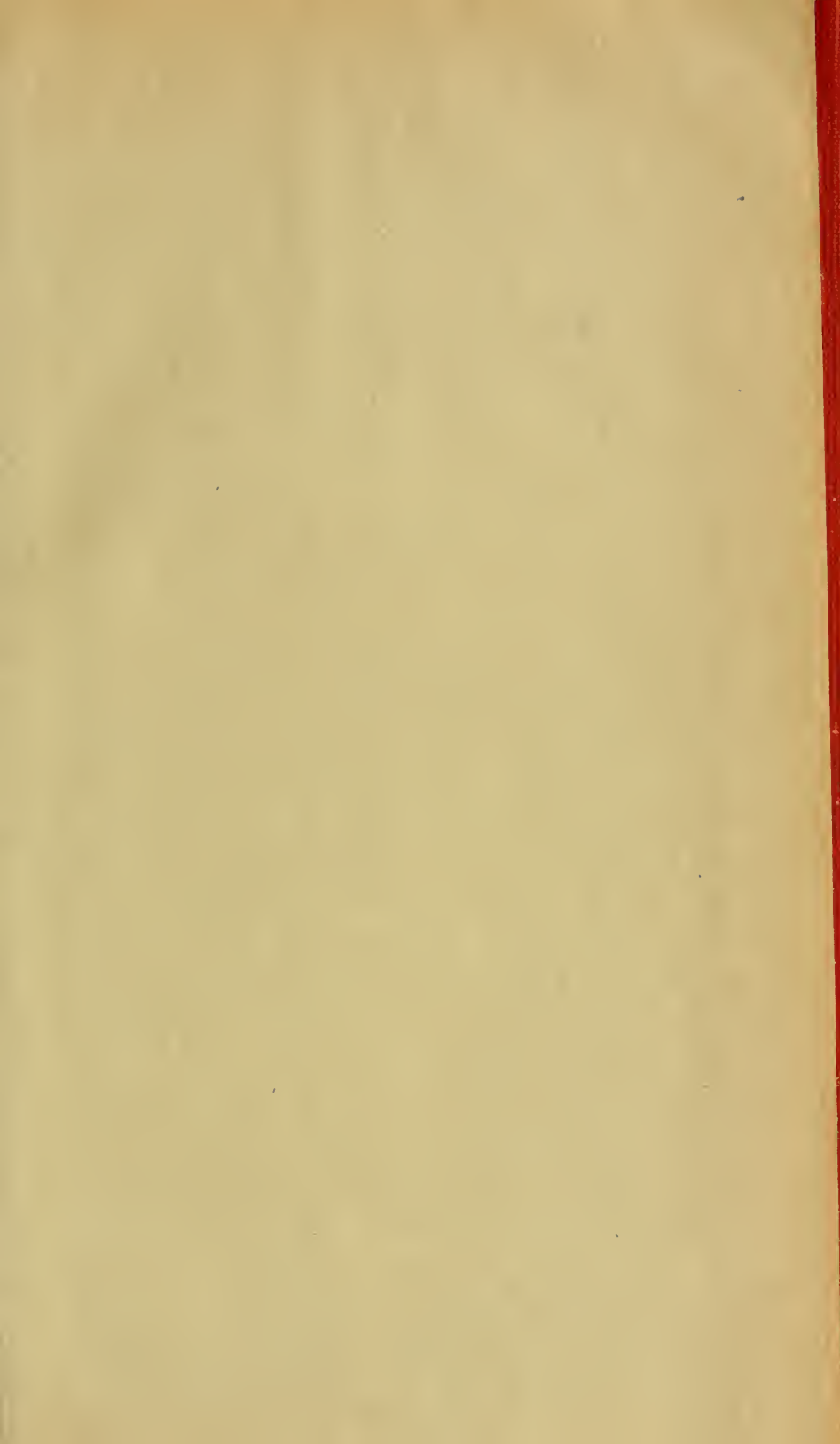
SEPARABILITY OF PROVISIONS

SEC. 24. If any provision of this Act, or the application of such provision to any person or circumstance, is held invalid, the remainder of this Act or the application of such provision to persons or circumstances other than those as to which it is held invalid, shall not be affected thereby.

SHORT TITLE

SEC. 25. This Act may be cited as the "Surplus Property Act of 1944."

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