

Student Work

12-1-1975

The Senate Small Business Committee during World War II

Catherine Neff Bugg
University of Nebraska at Omaha

Follow this and additional works at: <https://digitalcommons.unomaha.edu/studentwork>
Please take our feedback survey at: https://unomaha.az1.qualtrics.com/jfe/form/SV_8cchtFmpDyGfBLE

Recommended Citation

Bugg, Catherine Neff, "The Senate Small Business Committee during World War II" (1975). *Student Work*. 884.

<https://digitalcommons.unomaha.edu/studentwork/884>

This Thesis is brought to you for free and open access by DigitalCommons@UNO. It has been accepted for inclusion in Student Work by an authorized administrator of DigitalCommons@UNO. For more information, please contact unodigitalcommons@unomaha.edu.

THE SENATE SMALL BUSINESS COMMITTEE DURING WORLD WAR II

A Thesis

Presented to the

Department of History

and the

Faculty of the Graduate College

University of Nebraska

In Partial Fulfillment

of the Requirements for the Degree

Master of Arts.

University of Nebraska at Omaha

by

Catherine Neff Bugg

December, 1975.

UMI Number: EP73324

All rights reserved

INFORMATION TO ALL USERS

The quality of this reproduction is dependent upon the quality of the copy submitted.

In the unlikely event that the author did not send a complete manuscript and there are missing pages, these will be noted. Also, if material had to be removed, a note will indicate the deletion.



UMI EP73324

Published by ProQuest LLC (2015). Copyright in the Dissertation held by the Author.

Microform Edition © ProQuest LLC.

All rights reserved. This work is protected against unauthorized copying under Title 17, United States Code



ProQuest LLC.
789 East Eisenhower Parkway
P.O. Box 1346
Ann Arbor, MI 48106 - 1346

THESIS ACCEPTANCE

Accepted for the faculty of the Graduate College,
University of Nebraska, in partial fulfillment of the
requirements for the degree Master of Arts, University
of Nebraska at Omaha.

Thesis Committee

Name	Department
William R. Petrowich	History
William H. Brown	Business Administration

Saul A. Polakowsky History
Chairman

December 1, 1975
Date

TABLE OF CONTENTS

Chapter

I.	CREATION OF THE SELECT COMMITTEE	1
II.	THE COMMITTEE ADDRESSES THE PROBLEMS OF CONVERSION TO A WARTIME ECONOMY.	20
III.	THE COMMITTEE AND RECONVERSION	64
IV.	STATUS OF SMALL BUSINESS AFTER THE WAR - A BALANCE SHEET ON THE SENATE SMALL BUSINESS COMMITTEE.	104
	APPENDIX I - NUMBER OF FIRMS IN OPERATION, 1941-1946 AND RATE OF CHANGE.	122
	APPENDIX II - COMPARISON OF MANUFACTURERS BY EMPLOYMENT TOTALS, 1919 AND 1949	123
	BIBLIOGRAPHY	124

CHAPTER I

CREATION OF THE SELECT COMMITTEE

That small business¹ was essential to the American way of life was an unquestionable tenet of both liberals and conservatives in the government prior to and during the Second World War. Both political factions also agreed that the war needed to be won and that great sacrifices would be necessary in order to achieve that victory. Beyond these two basic areas of agreement, however, great divergence as to the methods to be used for conserving and protecting small business while fighting an all-out war for survival soon became apparent. Nowhere was this conflict more obvious than in the formation of the Special Committee to Study and Survey Problems of Small Business Enterprises of the United States Senate (hereafter referred to as the Senate Small Business Committee) and in the hearings, debates, and legislation which were direct results of it's investigations.

¹Problems of definition will be discussed in Chapter IV. Even though small business could variously be defined as those firms employing anywhere from under 20 to 500 workers, "small business" generally seemed as clear and separate an entity as "farmers" or "labor," and for much the same reasons.

The formation of the Senate Small Business Committee grew directly out of earlier studies conducted by the Temporary National Economic Committee.² The TNEC had been established by Congressional resolution approved June 16, 1938. This resolution had been enacted in response to a message from President Roosevelt which said that "generally over the field of industry and finance we must revive and strengthen competition if we wish to preserve and make workable our traditional system of free private enterprise." In order to accomplish this goal, the President recommended a more vigorous enforcement of anti-trust legislation and a detailed study into various problems allowing for the decreased competition in America brought about by economic concentration.³ He closed his remarks in a fashion reminiscent of an earlier time:

No man of good faith will misinterpret these proposals. They derive from the oldest American traditions. Concentration of economic power in the few and the resulting unemployment of labor and capital are inescapable problems for a modern 'private enterprise' democracy. I do not believe that we are so lacking in stability that we will lose faith in our own way of living just because we seek to find out how to make that way of living work more effectively. . . .

²Congressional Record, 76 Cong., 3 sess., 86:11793-4, 13367-13372.

³U.S. Congress, 75 Cong., 3 sess., Temporary National Economic Committee, Economic Prologue: I, Hearings (Washington: Government Printing Office, 1940), p. 1.

Once it is realized that business monopoly in America paralyzes the system of free enterprise on which it is grafted, and is as fatal to those who manipulate it as to the people who suffer beneath its impositions, action by the Government to eliminate these artificial restraints will be welcomed by industry throughout the Nation.

For idle factories and idle workers profit no man.⁴

The Temporary National Economic Committee which was formed to study the problem of economic concentration was composed of three members of the United States Senate, three from the House of Representatives, one representative each from the Departments of Justice, the Treasury, Labor, Commerce, the Securities and Exchange Commission, and the Federal Trade Commission. For its goals, the committee was to make a complete study on monopoly and the concentration of economic power with emphasis on the causes of concentration and its effects on competition; the effects of existing price systems and the price policy of industry on levels of trade; employment, long-term profits, and consumption; and the effects of existing tax, patent, and other government policies on these areas.⁵

On April 3, 1941, the TNEC completed its research. In the three years of its existence, the TNEC published

⁴Ibid., p. 191.

⁵Ibid., p. 192.

hearings amounting to thirty-one volumes with six supplemental volumes and forty-three monographs.⁶ These reports covered almost every conceivable area of economic concern, but it was the findings summarized in Monograph 17, Problems of Small Business which directly influenced the formation of the Senate Small Business Committee.⁷

One of the primary allegations made in Monograph 17 was that the relative financial position of small business had been weakened since 1929.⁸ This hypothesis was made even more critical for the well-being of the nation when put into the context of what were considered to be the economic contributions of small business. These contributions ranged from the special services to the consumer that small businesses were able to provide through "versatility of product and service which, despite standardizing trends, is still deeply desired by the American people," to the realization that small businesses were important customers of large

⁶ U.S. Congress, 76 Cong., 3 sess., Temporary National Economic Committee, Description of Hearings and Monographs (Washington: Government Printing Office, 1941), pp. 1-32.

⁷ Congressional Record, 76 Cong., 3 sess., 86:13367-13372.

⁸ U.S. Congress, 76 Cong., 3 sess., Temporary National Economic Committee, Monograph 17: Problems of Small Business (Washington: Government Printing Office, 1941), p. 207.

businesses just as in the production of "bits and pieces," large industries were often dependent upon smaller concerns.⁹

Additionally, the impetus that small businesses provided the economy through competition was seen to be fundamental:

The independent enterpriser has always been and continues to be of immense importance in the national psychology. The small businessman, together with the independent farmer and professional practitioner, has played an important role in fixing those standards of personal initiative, independent economic venturing, self-responsibility and self-determination in business, which are basic to the American way of life.¹⁰

In Monograph 17, the TNEC made only the most general recommendations for aid to small businesses. These suggestions centered around the need for greater availability of credit for small concerns and for more efficiency in the management of small firms.¹¹

While the TNEC was completing its investigation into the problems confronting small business, certain liberal members of the Senate headed by James E. Murray, Democrat of Montana, decided that a continuing study was needed if small business problems were to be surmounted. Murray initially thought that small business assistance would take

⁹Ibid., pp. 256-257.

¹⁰Ibid., p. 257.

¹¹Ibid., pp. 278-279.

the same form as government aid to farmers, particularly in educating small businessmen so that they would be able to compete more effectively with larger concerns.¹² That this early emphasis on education would be changed to a more basic effort to keep small business alive during a wartime economy soon became apparent.

Small businessmen themselves were not wholeheartedly in favor of government intervention on their behalf. In February, 1938, President Roosevelt had called a small business conference in an effort to win back political support from that segment of the economy. Confusion was the result. Their economic position under-cut by the Depression and by Roosevelt's attempts to deal with it which most often served to strengthen big business at their expense, small businessmen presented a disunited and unorganized front. Astonishingly, even in 1938, most small businessmen believed that their interests and those of big business were synonymous. In an article about the small businessmen's conference The Nation stated that the Roosevelt administration faced a revolt of small business interests. The paradox of this situation, the magazine stated, was that if the New Deal represented

¹²U.S. Senate, 77 Cong., 1 sess., Special Committee to Study Problems of American Small Business, Print #7: Small Business Problems: Research and Education (Washington: Government Printing Office, 1941), pp. 11-12.

any one group, it would be the middle class small businessman. Yet in attempting to alleviate the economic problems of the Depression, Roosevelt had alienated those who should have been his staunchest supporters. The Nation suggested that if Roosevelt's political power was to be retained, a small business revolt had to be avoided by strengthening its position with respect to monopolies. A re-education of small businessmen was needed to show them that their interests were not with big business, but with the economic welfare of the "common man." "The interests of monopolies lie in maximizing profits by restricting production and cornering the market, but small business can only benefit from increased production and expanded general purchasing power."¹³

Senator Murray, one of the most loyal of the New Dealers, whether at Roosevelt's suggestion or not, undertook this re-education. Roosevelt's creation of the TNEC had already pointed to special problems confronting small businesses, yet even that Committee generally agreed that more needed to be done. The TNEC, by its very nature, had been organized to view the economy as a whole. Murray and other New Dealers were interested in winning back the support of small businessmen, and this the TNEC had been unable to accomplish. In the fall of 1940, therefore, Murray

¹³The Nation, 12 February 1938, p. 173.

introduced Senate Resolution 298 which called for the formation of a Senate Small Business Committee.¹⁴

Perhaps the strongest opposition to Senate Resolution 298 came from William H. King, a Democrat from Utah, who ironically was one of the three Senators on the Temporary National Economic Committee. Indicating that the TNEC had already studied the problem sufficiently, he stated that the high failure rate small businesses experienced was due to folly, lack of understanding of the business environment, or to lack of management capability, none of which he believed were within the parameters of government assistance. He further felt that aid to small businesses would keep excessive numbers of these concerns in operation beyond an actual demand for their services.¹⁵

Senator Wallace White, a Republican from Maine, also objected to the formation of a Senate Small Business Committee since he believed that an unfortunate trend was developing in which every matter of any concern was immediately elevated to committee status. His argument centered around the contention that too much studying had already been done, both by the TNEC and the Senate Committees on Banking and

¹⁴ Congressional Record, 76 Cong., 3 sess., 86: 13367.

¹⁵ Ibid.

Currency and Commerce and that their recommendations should either be acted upon or dropped, not studied further.¹⁶

Senator Murray assured White that the new committee would not backtrack over areas already studied by the TNEC or other committees. He pointed out that other special interests had committees looking out for them as in the cases of agriculture and labor, and he reminded the Senate that both party platforms in 1936 had called for aid to small businesses.¹⁷ Murray noted that such diverse offices as the Department of Commerce, the Department of Agriculture and the TNEC itself had endorsed his resolution. He quoted Thurman Arnold, a member of the Temporary National Economic Committee as saying, "although the files of the Department and of the Temporary National Economic Committee should be helpful in the work you propose, I do not feel that they contain the comprehensive picture which you desire."¹⁸

Senator Barkley of Kentucky, the Senate Majority Leader, spoke in favor of the resolution, expressing the belief that no harm could come of a further study into the problems of small business. He reminded the Senate that the new committee would have no power to report legislation and

¹⁶ Ibid., p. 13369.

¹⁷ Ibid., p. 13370.

¹⁸ Ibid., p. 13372.

would not, therefore, usurp the powers or authority of the regular standing committees.¹⁹

After some further amendments were introduced which changed the committee size from five to seven members and authorized an expenditure of \$10,000 rather than the original \$15,000 for committee expenses, Murray's resolution was passed by a voice vote on October 8, 1940.²⁰

The items which the committee was to begin analyzing had been outlined by Senator Murray during the debate on Resolution 298. These included: (1) the necessity for finding out the reason for the high mortality rate of small business; (2) the consideration of ways to provide risk capital and loans for small business; (3) the effect of the large numbers of reports required by government agencies and the need to reduce or simplify this burden; (4) the seriousness of studies which showed that as a class small business had made no profits since 1928, and (5) the desirability of education and research to aid small business similar to projects the Department of Agriculture had undertaken to help farmers. At no time was the possibility of war or of defense preparations and their effect on small business mentioned.²¹

¹⁹Ibid., p. 13371.

²⁰Ibid.

²¹Ibid., p. 13370.

The following day, October 9, 1940, Senator Barkley, the Majority leader, announced the members of the Senate Small Business Committee. They were: Senators James E. Murray, Democrat of Montana; James M. Mead, Democrat of New York; Francis Maloney, Democrat of Connecticut; Allen J. Ellender, Democrat of Louisiana; Tom Stewart, Democrat of Tennessee; Robert A. Taft, Republican of Ohio; and Arthur Capper, Republican of Kansas.²² The Committee remained as constituted until February 4, 1943 when Senate Resolution 66 allowed five additional members to be appointed. These new members were Democratic Senators Claude Pepper of Florida and James G. Scrugham of Nevada and Republicans George A. Wilson of Iowa; Kenneth S. Wherry of Nebraska; and C. Douglass Buck of Delaware.²³

These men constituted the Senate Small Business Committee. They served with only minor additions and deletions (Brien McMahon, Democrat of Connecticut replaced Francis Maloney in February, 1945; Thomas C. Hart, Republican of Connecticut, replaced Robert A. Taft in March, 1945; and Homer E. Capehart, an Indiana Republican, replaced Hart in December, 1945) throughout World War II.²⁴ In addition to

²²Ibid., p. 13415.

²³Congressional Record, 78 Cong., 1 sess., 89:566.

²⁴Ibid., 79 Cong., 1 sess., 91:987, 1596, 12230.

the Senate members, the Small Business Committee had a staff of economic advisers, secretaries and clerical help which totaled between twenty and thirty people. For a time Senator Murray's son, Charles A. Murray, served as the executive secretary for the Committee but he was replaced by Charles M. Daughters and then Dewey Anderson as the Committee became more established.²⁵

While the initial composition of the Small Business Committee was heavily Democratic, no open conflict was to be expected since there was generally unanimous agreement within Congress that small business was in need of help. By 1943, with the addition of three Republican members, non-partisanship became harder to sustain, especially as it was becoming clear that small business would survive the war in better shape than ever. The conflict which developed between Senator Murray, representing the liberal New Deal members of the Committee, and Senator Wherry, who spoke for the conservative Republicans, had broad complications for the entire reconversion and post-war period. When the 1946 election shifted the majority in the Senate from the

²⁵ U.S. Senate, 79 Cong., 1 sess., Special Committee to Study Problems of American Small Business, Report 47, Part 1: Senate Small Business Committee - Its Record and Outlook (Washington: Government Printing Office, 1945), pp. 28-30.

Democrats to the Republicans, a significant change in Committee membership resulted and the Chairmanship passed from Murray who had maintained leadership throughout the war years, to Wherry.²⁶

This shift in leadership within the Committee came at a time when reconversion from the wartime economy was almost complete and corresponded very nearly with the ending of wage and price controls by President Truman on November 9, 1946. Therefore, this analysis of the Senate Small Business Committee will use for its boundaries the formation of the Committee in October, 1940 and the end of price controls in 1946 accompanied by the significant reorganization of the Committee which followed the 1946 election.

Oratory aside, what motivated the creation of a special Senate committee to study the problems of small business? The threat of war and its effects on the economy had not been mentioned in the debate over the formation of the Committee, yet with the exception of the Federal Reports Act of 1941 and the work the Senate Committee on Small Business did in support of that legislation, very little was said or done about small business until the end of 1941 when war had become a reality. In fact, the first official

²⁶Congressional Record, 80 Cong., 1 sess., 93:644, 713.

hearings of the Committee took place December 15, 16, 17, 18, and 19, 1941.²⁷

The plight of small business was only mentioned in the Senate twice, and then only in passing, after the formation of the Committee for the remainder of 1940.²⁸

In 1941 small business problems were only mentioned there once in a very general way, and then with defense problems in mind, prior to the June 26, 1941 submission of Report 479, Part 1, on "The Federal Reports Act of 1941."²⁹ Again, there was a three month gap without any consideration of small business problems in the Senate until September 5, 1941 when the need for war production had caused the President to establish by executive order the Office of Contract Distribution as part of the Office of Production Management.³⁰

Perhaps the slow beginnings of the Senate Small Business Committee can be explained in the fact that the Temporary National Economic Committee was still in operation and remained active until April, 1941. While the TNEC was

²⁷ U.S. Senate, 77 Cong., 1 sess., Special Committee to Study Problems of American Small Business, Part I, Hearings (Washington: Government Printing Office, 1942).

²⁸ Congressional Record Index, 76 Cong., 3 sess., 86:547.

²⁹ Congressional Record, 77 Cong., 1 sess., 87:1020-1023.

³⁰ Ibid., p. 7381; Congressional Record Index, 77 Cong., 1 sess., 87:589.

interested in a broader segment of the American economy, there remained a significant area of overlapping concern that could not be discounted regardless of the arguments advanced during the debate on the formation of the Senate committee.

The relatively slow start the Committee experienced might perhaps be further explained in one of the comments Senator White of Maine made in argument against the establishment of the Committee when he pointed out that while there were many supporters of the study within government, no one attempting to speak for small business had asked to be studied. As much as the New Dealers might have wanted to develop a constituency among small businessmen, their early efforts had been thwarted, and small business seemed generally uninterested and apathetic.³¹ With the creation of the Office of Contract Distribution, small businessmen suddenly had something to gain of a substantial sort from the Senate committee, and that, obviously, was a share in the defense contract business then developing. With a specific goal in mind, small business representatives suddenly became quite vocal as evidenced by their participation in the first hearing conducted by the Senate Small

³¹Congressional Record, 76 Cong., 3 sess., 86: 13369.

Business Committee. Senator Murray summarized the situation in his opening remarks to that hearing:

During this war effort there is a fog of fear and apprehension spreading over the country that small business may be wiped out. We are witnessing a greatly accelerated expansion of monopolies and a squeezing out of the little concern due to difficulty in getting either defense contracts or materials for civilian production, as well as increased difficulty in competing under the trade practices and procedures that have grown up under [the] big business system. A continuation of this concentration of economic power will be certain to result in an undermining of the very foundations upon which our system of free enterprise was built.

Hundreds of letters coming to our committee from business concerns in all parts of the United States declare their eagerness to do their share. They maintain that, given the opportunity, small business can play a tremendously important part in the present all-out-war-production [sic] program. We believe the immediate way to help small business is to utilize it to the greatest extent possible in the war effort. We believe this is not only necessary to keep small business alive, but it is of the very essence of importance to our country at this time when production may be the determining factor for victory.³²

If the Senate Small Business Committee had been inactive during its first year of existence prior to the war, its activities after war was declared certainly proved compensatory. In 1942 alone, the Committee conducted eleven hearings, published three formal reports, and

³²U.S. Senate, 77 Cong., 1 sess., Special Committee to Study Problems of American Small Business, Part I, Dec. 15-19, 1941, Hearings (Washington: Government Printing Office, 1942), pp. 2-3.

unofficially sponsored three major pieces of legislation. The hearings comprised 1800 pages of testimony in which the Committee not only heard people representing business organizations from all over the nation, but for which the Committee also made several major field trips to various remote locations in order to get first hand information on topics affecting small concerns.

The year 1942 was only a beginning. By the end of 1945, the Senate Small Business Committee had published 9484 pages of hearings, printed eight reports and five committee prints, and had been indirectly responsible for several legislative proposals dealing both with wartime production and with reconversion to a peacetime economy.

While small businessmen may not have been impressed with the Committee during most of 1941, by 1942 this attitude had definitely changed as they saw a chance to use the Committee to obtain access to other government agencies, notably the Office of Production Management, the Office of Price Administration, and the various Defense Department procurement agencies. Officials from all of these agencies were regularly called to testify before the Committee to explain their actions and that experience was sometimes sufficient to bring about specific changes in policy as will be demonstrated later. Thus the existence of the

Senate Small Business Committee provided a sympathetic forum for the small businessmen of the nation during a period of great economic stress and turmoil and sometimes resulted in alleviating specific irritants or unfair practices. Beyond this sizeable accomplishment, the Committee also helped obtain fuller utilization in war production from smaller producers, especially through the auspices of its brainchild, the Smaller War Plants Corporation, and it was a leader in assessing the need for positive steps to encourage an orderly and equitable reconversion.

While the initial motivation for the formation of the Senate Small Business Committee might have been somewhat nebulous, tied as it was to New Deal attempts at winning support from a loose and uncohesive group, the coming of the war gave the Committee direction and purpose. If war had been only a possibility in 1940 when the Committee was formed, by the end of 1941 it was an actuality. The promptness with which the Small Business Committee called its first hearings after the declaration of war indicates that the Senators were aware that now there was the possibility for direct action to aid small business, or to at least see that it was not unduly injured, during the war years. In the past the TNEC and the Small Business Committee had to content themselves with economic theories and rhetoric concerning

the plight of small business; with the coming of war and the priority systems, price controls, and defense contract letting that followed, there were suddenly concrete problems to be addressed and corrected. Faced with these specific problems, the Senate Small Business Committee began its work.

CHAPTER II

THE COMMITTEE ADDRESSES THE PROBLEMS OF CONVERSION TO A WARTIME ECONOMY

For the first two years of World War II, the Senate Small Business Committee dealt with problems confronting small business enterprise brought about by the war economy. It also managed to see that legislation was passed dealing with a simplification of the vast amounts of reports which various government agencies required business concerns to submit to them.

The hearings conducted by the Committee and the legislation which resulted from its investigations covered a wide range of topics. Starting with the freeze on automobile production and distribution in January, 1942, and continuing with various other forms of rationing, the Committee hearings in the early war years also dealt with insuring small business participation in the allocation of government contracts. Due to the shortages of various strategic materials, especially copper and aluminum, the Committee found itself engaged in investigations of the mining industry as well.

These hearings were often inconclusive because they served primarily as a catharsis for business concerns faced with problems which were largely unavoidable within the framework of the wartime situation. By allowing small business interests to present their views to representatives of the government agencies controlling prices, government contracts, or rationed materials, the Committee did help to eliminate certain specific injustices. Furthermore, the opportunity to have sympathetic Senators listen to their problems usually led small businessmen to feel more patriotic, if not otherwise better, about the many unavoidable sacrifices which were expected of them.

The year 1941 began slowly for the Senate Small Business Committee. Until the prospect of United States participation in the war became a virtual certainty, the only action the Committee took was in researching and supporting the Federal Reports Bill. This legislation sought to coordinate Federal reporting services to eliminate duplication and to reduce the cost of those services to the government while minimizing the burden to business of furnishing those reports.

Although Senate Resolution 1666, known as the Federal Reports Act of 1941, was submitted to the Senate on June 26, 1941 by Senator Mead on behalf of the Senate Small Business

Committee, the resolution was referred to the Committee on Education and Labor where it rested for almost a year and a half.¹ By that time the work of the Senate Small Business Committee in response to the war effort had given a certain respectability to its recommendations which had been lacking in 1941 and the bill passed easily.²

The primary reason that the Federal Reports Act was not considered and passed until late in 1942, however, was that with the declaration of war in December, 1941, the Senate, and the Small Business Committee as well, found themselves facing much more essential priorities which required immediate action. Chief among the problems concerning small business were rationing of scarce resources, freezing orders, and the equitable granting of defense contracts.

The first major crisis which the Senate Small Business Committee investigated was precipitated by the automobile freeze declared on January 1, 1942 by Donald M. Nelson, Director of Priorities, Office of Production Management. Leon Henderson of the Office of Price Administration, an ancillary agency, explained the necessity for the freeze to

¹Congressional Record, 77 Cong., 1 sess., 87:5531-32.

²Ibid., 77 Cong., 2 sess., 88:9079 and 9479.

the Committee on January 9, 1942 during a formal hearing conducted at the request of the National Automobile Dealers Association. Henderson explained to the Committee and to the automobile dealers attending the hearing why it had become necessary to terminate the manufacture and sale of automobiles. He indicated that there had been two overriding considerations: first, the need to conserve essential materials which were necessary for defense production; and second, the requirement for facilities capable of producing an additional eight to ten billion dollars worth of military goods. When questioned about the suddenness of the freezing notice, Henderson defended the apparent haste and reminded everyone that if advance notice had been given, a run could have resulted making it impossible to conserve the existing stock of cars for priority uses.³

Once the automobile freeze was announced, the Senate Small Business Committee found that the automobile dealers were faced with a variety of almost overwhelming problems. With new car stocks frozen, the dealers had to rely on used car sales and their service departments for all further revenues. Additionally, they still had to provide storage

³ U.S. Senate, 77 Cong., 2 sess., Special Committee to Study Problems of American Small Business, Part 3, Conference of Retail Automobile Dealers, Hearings (Washington: Government Printing Office, 1942), pp. 529-530.

space for their inventories of new cars until the government was able to take delivery or until rationed sales resumed. The requirement for storage of stocks they could not sell for what was expected to be an extended period of time proved to be the major irritant for most of the automobile dealers. Dealers resented the fact that they would have to bear an estimated dollar-a-day expense for storing and maintaining new cars which they would be unable to sell.⁴ When the freeze went into effect, approximately 450,000 new cars were in the hands of the dealers.⁵

L. Clare Cargile, President of the National Automobile Dealers Association addressed the Senate Small Business Committee during its hearings on January 9, 1942. He proposed specific steps to be taken to help alleviate the burden which had been placed upon the car dealers by the automobile freeze. Speaking almost directly to Leon Henderson of the OPA, Cargile suggested:

1) that the government allow delivery of all bona fide orders dated prior to January 1, 1942. He estimated that this concession would affect roughly five percent of the automobiles in question.

2) that if prices were frozen on new cars, rates be devised which would allow for handling and freight charges.

⁴ Ibid., p. 524.

⁵ Ibid., p. 519.

3) that if price ceilings were extended to used cars, the same formula for handling be applied to them.

4) that all automobiles and trucks which were produced except those specifically designed for military use be handled through dealers regardless of their ultimate destination.

5) that all vehicles purchased by the government from dealers be purchased at their full list price.

6) that the government pay for the cost of financing, insurance, and storage on all vehicles carried by the dealers after January 1, 1942 until they were liquidated or released.

7) that the government agree to purchase at retail delivery prices all vehicles, frozen or subject to rationing, that dealers might offer after July 1, 1942, and

8) that no restriction be placed on the sales of non-standard vehicles such as limousines, convertibles, or specialty trucks.⁶

As a direct result of the Committee hearings, Leon Henderson agreed to:

1) permit delivery of cars in completion of orders and sales which were made prior to the freezing order of January 1.

2) establish a retail price ceiling in connection with the rationing order which would provide a reasonable margin of profit to the auto dealers on the sale of cars being rationed. This proposed ceiling would equal the factory list price plus Federal excise tax plus a transportation allowance plus a handling and delivery charge (to equal five percent of the factory list price and five percent of the transportation allowance, but not to exceed seventy-five dollars).

⁶ Ibid., pp. 520-521.

3) increase the retail price ceiling each month, starting February 1, at the rate of one percent of the factory list price to recompense dealers for the expense of storage, insurance, and interest.⁷

The Senate Small Business Committee decided that these concessions were not adequate, however, and agreed that legislation to help automobile dealers, or dealers in any other commodity which might be rationed or frozen in the future, was necessary. This legislation was to be in addition to a \$100,000,000 fund established by the Reconstruction Finance Corporation for loans to auto dealers to enable them to carry their investment in the 204,000 cars which were then completing production. It also was in addition to a Presidential request for Congress to make a special appropriation of \$300,000,000 for temporary relief of employees of firms caught in the freeze.⁸

The proposed legislation, Senate Bill 2315, was drawn up as a result of the automobile freeze; however, its provisions applied not only to the 44,000 automobile dealers of the nation but also to any other persons or firms which might be affected by similar rationing orders in the future. Basically, what the Committee recommended was that the

⁷ U.S. Senate, 77 Cong., 2 sess., Special Committee to Study Problems of American Small Business, Report 479, Part 3, (Washington: Government Printing Office, 1942), pp. 1-4.

⁸ Ibid., pp. 63-65.

Reconstruction Finance Corporation be authorized to buy any remaining stock in a resellable condition which had been subject to rationing orders of any dealer in that commodity. The RFC would also be empowered to loan those dealers an amount equal to the investment they had in the rationed article if that was the dealers' preference. Initially the Committee proposed that the RFC be directed to purchase the remaining stock of any dealer making such a request if that stock could not be liquidated within six months. The purchase was to take place thirteen months after the date that rationing commenced by a payment to the dealer of the retail price of the article. This retail price would include the dealers' cost plus a reasonable charge for handling, servicing, storing, and insuring the article.⁹ In its final form, however, the bill provided that the time period for liquidation be extended to eighteen months, and the Committee pointed out that due to several liberalizing orders which the Office of Price Administration had made since the initial freeze went into effect, it was anticipated that residual stocks subject to assumption by the RFC would be minimal.¹⁰

The Committee anticipated that the proposed legislation would not result in the Reconstruction Finance

⁹Ibid., p. 3.

¹⁰Congressional Record, 77 Cong., 2 sess., 88:3696.

Corporation buying large quantities of rationed stocks.

Liquidation of existing stocks would be worked out by the dealers and the RFC would serve only as a guarantor for the prices of those stocks. With the RFC guaranteeing prices, dealers planning to stay in business would be encouraged to buy inventories from those dealers trying to liquidate. Additionally, the Committee anticipated that the RFC should make a reasonable charge for its services and that the liquidation of rationed stocks would not impose any financial burden on the RFC or any other government agency.¹¹

Senate Bill 2315 was passed on April 27, 1942. It was returned signed by the President on May 11, 1942.¹²

While the bill had actually been reported on the floor of the Senate by the Banking and Currency Committee, it carried the names of all seven members of the Senate Small Business Committee and was clearly based upon their recommendations.¹³

The automobile freeze and subsequent rationing generated a great deal of interest in the press. The New York Times sympathetically reported the proposals made by L. Clare Cargile for alleviating the blow to the automobile dealers. The Times also followed the work of the Senate

¹¹Report 479, Part 3, p. 4.

¹²Congressional Record, 77 Cong., 2 sess., 88:3704 and 4081.

¹³Ibid., p. 3696.

Small Business Committee in this area thereby giving it its first favorable publicity.¹⁴ No one attacked the actual freeze or rationing of automobiles since they were convinced that this action was necessary as the nation geared for all-out war production, yet the work of the Committee to insure that the blow was equalized and not made more damaging than necessary to the small auto dealers of the nation apparently did much to increase its prestige among small businessmen.

G.J. Seedman, President of the American Business Congress, "the most influential small business organization in America" stated in support of the Murray Committee that National Automobile Association Dealers figures six months after the rationing order took effect showed only a seven percent mortality rate among auto dealers instead of the fifty percent rate they had predicted.¹⁵ The swift action by the Committee through Senate Bill 2315 had generated the first real signs of support from that nebulous business community it had been trying so hard to woo.

While the members of the Senate Small Business Committee were definitely sympathetic to the problems

¹⁴New York Times, 2, 7, 10, and 11 January 1942.

¹⁵New Republic, 2 October 1942, pp. 467-468. The American Business Congress had been called "most influential" by the Saturday Evening Post and was quoted by Seedman in his letter to the New Republic.

confronting automobile dealers and others caught up in the turmoil caused by the shift to a wartime economy, they made it abundantly clear to all concerned that they were not out to prevent individual business casualties but only intended to soften the blow and enable small concerns to assume a portion of the war production effort. Even in the hearing to investigate the problems facing the automobile dealers, Senator Henry Cabot Lodge of Massachusetts asked Cargile of the National Automobile Dealers Association if there was any possibility for using the car dealers' repair and machine shop facilities in the execution of defense subcontracts.¹⁶

With the war becoming more real every day, many Senators developed the attitude that just as there must be casualties on the battlefield, so there would be inevitable casualties in the economic sector as well. The fear that men like Murray had was that by making an all-out effort to defeat the enemy abroad, the free enterprise system would be destroyed at home. A bit of doggerel was read into the minutes of the hearing on Retail Automobile Dealers which had been printed previously in The Saturday Evening Post. It read:

¹⁶U.S. Senate, 77 Cong., 2 sess., Special Committee to Study Problems of American Small Business, Part 3, Conference of Retail Automobile Dealers, Hearings (Washington: Government Printing Office, 1942), p. 527.

Big business has become immense
Because of contracts for defense;
And little business, thanks to Hitler,
Is definitely getting littler.

Senator Harry S. Truman of Missouri, who like Lodge had been one of the many concerned legislators attending the hearing commented:

That is just as true as can be. Big business is getting bigger, and little business is going out of business. We are all going to have to make sacrifices in this situation, and everybody has a different situation. But it seems to me your situation and that of the farmers of America can be worked out on a gradual basis so as to keep you in business and keep the country running. Because what is the use of saving the country if we don't have anything left when we do save it?¹⁷

The relative success that the Committee achieved in the adoption of its proposals concerning automobile dealers proved to be short-lived when the Committee moved on to the problems faced by independent tire dealers. Hearings conducted in March, 1942 resulted in a legislative proposal (Senate Bill 2560) which was tabled as soon as it was submitted and then was not re-introduced for the remainder of the year.¹⁸ In 1943 another attempt to revive the bill was tried but it too failed to gain more than token support since the constitutionality of the proposal was very much in doubt from the beginning. Still, certain recommendations

¹⁷ Ibid., p. 565.

¹⁸ Congressional Record, 77 Cong., 2 sess., 88:9125.

made by the Senate Small Business Committee as a result of its investigations were adopted for implementation by the presidentially-appointed Baruch Committee which was formed specifically to deal with the rubber shortage.¹⁹

The tire problem was precipitated by the lack of crude rubber created by enemy takeover of Far Eastern suppliers and the fact that no suitable substitute for rubber had yet been commercially developed. As the Committee studied the resulting tire shortage, it saw a need to encourage the survival of the approximately 60,000 independent tire dealers and service stations throughout the country who were the only ones the Committee found to maintain consistently a distribution system for the sale of tires and who especially catered to servicing, repairing, and rebuilding tires. These latter functions were considered to be of vital importance to the rubber conservation program.²⁰

In addition to the independent tire dealers, the Senate Small Business Committee found that two other sources for tire distribution existed. These were through the

¹⁹U.S. Senate, 78 Cong., 1 sess., Special Committee to Study Problems of American Small Business, Report 12, Part 1 (Washington: Government Printing Office, 1943), p. 8.

²⁰U.S. Senate, 77 Cong., 2 sess., Special Committee to Study Problems of American Small Business, Report 479, Part 4 (Washington: Government Printing Office, 1942), p. 5.

corporate chain stores such as Sears or Montgomery Ward and through tire and rubber manufacturer-owned stores like Firestone and the General Tire Company. These dealers were not hurt by the rationing of tires, the Committee believed, since chain stores handled many other items and could absorb the loss in revenue created by the rationing of tires and the rubber and tire manufacturers had received a large volume of government contracts which more than compensated them for the loss of tire sales.²¹

Basically, what the Senate Small Business Committee recommended in Senate Bills 2560 (1942) and 1122 (1943), neither of which won the approval of Congress, was that all distribution of new and rebuilt tires and tubes be handled through independent tire dealers. This special treatment they believed to be justified since other tire dealers did their major business in different items while the independent tire dealers depended upon tire sales for their subsistence.²² For purposes of the legislation, independent tire dealers were defined as any persons engaged in the sales and servicing of tires whose primary business consisted of one or more of the following: selling or servicing (but not manufacturing) tires, automobile or automotive equipment,

²¹Ibid., p. 2.

²²Ibid.

selling motor vehicle fuels and lubricants, or repairing, recapping, or retreading tires.²³

One of the biggest changes in policy which resulted from the Committee hearings on tires was the adoption by the Baruch Rubber Committee of the proposal that the recapping of an old tire not necessitate the use of a tire rationing card.²⁴ The fact that it was the independent tire dealers who did the vast majority of recapping meant that in some ways the tire shortage had actually worked to their advantage.²⁵

The tire situation was a complex one, even more involved than that of the automobile dealers. Once the President set up an independent rubber committee with a Rubber Administrator appointed to supervise the shortage, the Senate Small Business Committee seemed quite relieved to turn their attention to other, more general, and seemingly less complicated topics. While their investigations did enable them to make important suggestions which were later carried out, in part at least, by the Rubber Administrator,

²³Ibid., p. 7.

²⁴U.S. Senate, 78 Cong., 1 sess., Special Committee to Study Problems of American Small Business, Part 19, Tire Dealer and Rebuilder Problems: II, Hearings (Washington: Government Printing Office, 1943), p. 2537.

²⁵Ibid., pp. 2636-2637.

the Committee had neither the time, interest, nor background knowledge to delve more deeply into an area of such uncertainty. The dubious legality of their proposed rubber legislation further indicated that it was intended more to appease the tire dealers than to actually change government policy to allow preferential treatment in the distribution of tires.

While other items were also in short supply or rationed, the Senate Small Business Committee did not again consider legislation to deal with particular situations. The Committee did, however, proceed with its hearings into specific matters, and through these hearings, in which small business representatives were brought face-to-face with officials from the OPA, certain accommodations were sometimes reached. Hearings were held in April, 1943 on the rationing problems confronting the baking industry and in June the Committee considered the problems facing the poultry and livestock distributors and dealers which were occurring because of rationing orders in those commodities. Although the Committee served primarily as a source of sympathy for the livestock and poultry dealers, the independent bakers were

able to reach an accommodation with the OPA which allowed their production of bread actually to increase.²⁶

At the same time it was investigating ways to aid dealers in rationed commodities, the Senate Small Business Committee was also putting together a comprehensive proposal aimed at insuring small business participation in war production. On March 31, 1942, Senator Murray offered S-2250, variously known as the Murray-Patman Act (after the Chairmen of the Senate and House Small Business Committees), or the Smaller War Plants Act.²⁷

In a background report submitted by the Committee on February 5 of that year, the fundamental difficulties facing small businesses were assessed. The major problem the Committee saw was that of procurement and the fact that the Office of Production Management (which became the War Production Board), the Army, Navy, and Treasury all preferred to deal with large businesses rather than smaller concerns which were thought to be less reliable and more inefficient in fulfilling defense contracts. Because most of the individuals in charge of procurement for these agencies

²⁶ U.S. Senate, 79 Cong., 1 sess., Special Committee to Study Problems of American Small Business, Report 47, Part 1 (Washington: Government Printing Office, 1945), pp. 25-27.

²⁷ Congressional Record, 77 Cong., 2 sess., 88:3225-6.

had always been associated with big business, the Committee believed the only way to assure fair treatment for small plants and to utilize fully the productive capabilities of the nation was to create a board having centralized power to directly represent the interests of small business.²⁸

The Committee believed there was a very real danger that under the pressure for an all-out war effort, production would be administered so as to cause needless and irreparable damage to small business. The examples of the tire and automobile freezes were cited in which the decisions of one administrator had the power to destroy thousands of business concerns literally overnight. Representation for small business on policy-making boards as a check against ill-considered decisions was deemed essential if small business was to survive the war intact. The "dollar-a-year" men who had come to dominate various government agencies during the war and who were all representatives of big business interests had no counterpart among small businessmen. While small businesses could not support their own "dollar-a-year" men, the Senate Small Business Committee wanted to insure that they at least had a voice within the government.²⁹

²⁸U.S. Senate, 77 Cong., 2 sess., Special Committee to Study Problems of American Small Business, Report 479, Part 2 (Washington: Government Printing Office, 1942), pp. 9-10.

²⁹Ibid.

During its hearings in December, 1941, the Committee heard testimony from Stacy May, Chief of the Bureau of Research and Statistics of the Office of Production Management. His figures indicated that there was a whole level of industrial capacity in the nation that had not been touched for military production.³⁰ Floyd Odlum, Director for the Division of Contract Distribution and himself an example of the inroads big business had made into government circles, substantiated this finding by stating that at least 20,000 more manufacturing plants could be brought into the war production effort. This would mean that approximately one-quarter of all small manufacturers could convert completely to the war effort, while another one-fourth could be partly adapted.³¹

Although most people agreed that a vast untapped resource of war production was to be found in the small businesses of the nation, few were certain about how it could best be utilized. And while the doubt remained unresolved, more businesses were forced to close their doors due to a lack of critical materials and other war-related problems.

³⁰ U.S. Senate, 77 Cong., 1 sess., Special Committee to Study Problems of American Small Business, Part 1, December 15, 16, 17, 18, and 19, 1941, Hearings (Washington: Government Printing Office, 1942), pp. 17-20.

³¹ Ibid., p. 232.

Dun and Bradstreet figures for the first year of the defense program indicated that bankruptcies of small businesses had increased dramatically over those of 1939 while the rate for big business failures during the same period had plummeted.³²

This evidence was considered to be even more damning when compared to the figures presented by Stacy May which showed that fifty-six of America's 184,230 manufacturing companies were awarded seventy-five percent of all Army and Navy contracts. The remaining twenty-five percent of the defense contracts were distributed among about 16,000 prime contractors. Thirteen billion dollars had been spent or allocated by the government for plant expansion for big business but no consideration had been given for the expansion of small business.³³

Presidential efforts to include small business in the war effort had also been thwarted. Roosevelt had organized the Division of Contract Distribution in the OPM in an attempt to help small business during the war but it too proved ineffective just as its predecessors the Defense Contract Service and the Office of Small Business Activities had also failed. The Committee believed that such attempts to aid small business would continue to prove unsuccessful

³² Ibid., p. 114.

³³ Report 479, Part 2, pp. 6-7.

as long as small business representatives were only a powerless part of the Office of Production Management dominated by big business interests. With the formation of the War Production Board and the centralization it brought about in the administration of wartime production, the Committee believed progress was being made. Yet, if small business was to be protected, the Committee felt adequate representation of its interests on the WPB was essential.³⁴

Senate Bill 2250 was introduced in the Senate by the Small Business Committee in an effort to deal with this lack of representation given small business both in wartime production, and more importantly, in the decision-making which affected that production. Section I gave additional authority to the Chairman of the War Production Board and made it his duty, through an appointed deputy, to mobilize aggressively the productive capacity of all small business concerns and to determine how they could be most effectively used to augment war production. Section II gave power to a Smaller War Plants Corporation (Section IV) to encourage small business through the granting of government contracts. Section III provided that the chairman of the WPB would gather information about the capacity of small business for war production. This was to be accomplished by making

³⁴Ibid., pp. 9-10.

inventories of existing goods, directing the attention of government officials to the productive capability of small plants, and providing for the letting of subcontracts by prime contractors. Additionally, he was to encourage through government contracts the conversion of small plants to war production, and provide through the Smaller War Plants Corporation and the Reconstruction Finance Corporation the necessary funds for this conversion. Finally, the measure provided for the creation of the Smaller War Plants Corporation with a capital stock of \$100,000,000 (later increased to \$150,000,000). This corporation was to be staffed by experts in small business management, engineers, and others who could make a study of small businesses with the idea of bringing them fully into the wartime economy, enabling them to get government contracts, and by so doing, speeding up the production of war materials. The Smaller War Plants Corporation would not itself engage in manufacturing. It would merely act as a prime contractor, letting subcontracts to smaller concerns. Additionally, it would finance the expansion of small businesses to enable them to produce war materials more effectively,³⁵

Senator Murray indicated in introducing the bill that at first the idea was to have the RFC finance aid to

³⁵ Congressional Record, 77 Cong., 2 sess., 88:3225-6.

small business, but it was finally decided that it would be more effective, and quicker, to let the Smaller War Plants Corporation handle financing as well. Collection of loans made by the SWPC would revert to the RFC, however, since it already had the machinery set up to handle repayment.³⁶

The bill was also designed to benefit those plants wishing to convert to essential civilian production, especially to aid them in obtaining critical raw materials needed for their operations. It did not address the problems confronting the small distributor or retailer, however, as became all too clear in the months following implementation.³⁷

Senator Murray led off the debate on Senate Bill 2250 by saying:

I am sure that the problem of small business in the nation is the most serious problem affecting the country, because if we permit small business to be destroyed, we shall destroy the American way of life. Our democratic system was founded upon small business enterprise, and if it shall be wiped out, and if the whole field of business endeavor shall be taken over by the big monopolistic concerns of the nation, then we shall have a totalitarian system, we shall have communism or facism.³⁸

³⁶Ibid., p. 3226.

³⁷This problem will be discussed more fully later. See page 46 for additional information.

³⁸Congressional Record, 77 Cong., 2 sess., 88:3227.

Perhaps the biggest question raised against Senate Bill 2250 came from Senator Harry F. Byrd of Virginia. He was concerned about a provision which would allow the Smaller War Plants Corporation to "purchase or lease such land, to build, or expand such plants." He felt the problem might be that there were already too many small businesses and was concerned that under the provisions of the bill even more marginally productive enterprises would be built. Senator Taft answered this objection by pointing out that even proposed construction was no more than what the government had already done for big business. Why should not smaller concerns have the same privilege, he asked.³⁹

Another minor debate centered around whether or not the SWPC should have financing powers. Several Senators believed that this power should remain with the RFC. Senator Prentiss M. Brown of Michigan (who later became Director of the OPA after his defeat in a senatorial campaign) pointed out that under the provisions of the proposed bill, money would be loaned on the basis of whether business production would be advantageous to national defense. This was not true of the RFC which based decisions on whether the business was reasonably assured of repaying the loan. Senator Bennett Champ Clark of Missouri furthered this line

³⁹ Ibid., pp. 3229-3230.

of reasoning by pointing out that the bill would remedy the problem of small business not being able to bid on contracts because they could not get funding, and not being able to get financing without being assured of a bid. The vicious cycle created between the War Department and the RFC would be cured by the Smaller War Plants Corporation, he thought.⁴⁰

After other generalized discussion on the measure, Senator Murray proposed an amendment providing for penalties for misuse of the provisions of the bill. Senator Brown offered an amendment authorizing the War Department and the Department of the Navy to participate in or guarantee any loans made pursuant to the Act. The Senate adopted the amendments and on April 1, 1942 passed the bill without dissent.⁴¹

The companion House bill provided for the suspension of anti-trust laws for the duration of the war in addition to the proposals contained in the Senate version. This stipulation angered Senator Robert M. LaFollette of Wisconsin who found it ironic that such a rider should appear on a measure designed to aid small business. He moved that the bill be returned to conference until this discrepancy could

⁴⁰ Ibid., pp. 3228-3230.

⁴¹ Ibid., p. 3274.

be worked out and on May 27, 1942 the Senate agreed to LaFollette's motion.⁴²

When the conference report was submitted on June 4, however, it still allowed the Chairman of the War Production Board almost exclusive authority to suspend anti-trust laws with respect to agreements and procedures necessary to the war effort. The only modification which came out of conference was that the Chairman of the WPB would be required to consult the Attorney General. He did not, however, have to ask his permission for any actions the WPB might undertake. At the end of the war, the Chairman, at his own discretion, would withdraw his orders and allow the anti-trust laws to again take effect. With only minimal debate, the Senate immediately agreed to the conference report and the Smaller War Plants Corporation was created.⁴³

The Smaller War Plants Corporation under the direction of Lou Holland soon encountered difficulties in getting organized and in providing aid to small concerns.⁴⁴ In October, an article in Business Week suggested that

⁴²Congressional Record, 77 Cong., 2 sess., 88:4608.

⁴³Ibid., p. 4877.

⁴⁴Holland had been the organizer of a 32-company pool in Kansas City which had been formed to obtain Navy defense contracts. He served as first director of SWPC but his success in government was not what it had been as a private businessman and he was soon replaced. See Business Week, 18 July 1942, p. 7 and 16 October 1943, p. 15.

perhaps Holland was intimidated by the amount of money he had at his disposal. The magazine also speculated that:

possibly Holland can't be criticized for assuming that there is no lack of riders for a gravy train, but the champions on Capitol Hill are becoming dissatisfied with Holland's deliberate policy. Senator Murray, Chairman of the Senate Small Business Committee, has been preoccupied with getting re-elected and Murray's committee regards SWPC as its baby, consequently doesn't want to spank it too soon. But Senators Mead, Ellender, Stewart and others are now urging Murray to put SWPC on the carpet.⁴⁵

Business Week went on to discuss the serious problems facing the nation's retailers which provisions of the Smaller War Plants Act completely ignored. It quoted a Commerce Department forecast which predicted a net contraction of 300,000 retailers by the end of 1943. The Senate Small Business Committee had not taken so pessimistic a view, it suggested, probably because there was no strong retailers lobby in Washington to convince them otherwise. Instead, the Committee seemed to feel that by tightening their belts along with continued pressure on OPA to puncture ceiling prices and the WPB to route greater quantities of materials into civilian channels, the wholesalers and retailers of the nation could survive the war, if not unscathed, at least virtually intact. The article closed by saying that "this disinterested, if not cool attitude in Congress to the

⁴⁵Business Week, 10 October 1942, p. 20.

plight of retailers is expected to change very quickly when the casualties begin to mount."⁴⁶ That the Committee's approach to the problems of retailers did not change markedly bespeaks the success that their pressure on the OPA and WPB achieved.

In investigating the price ceilings and standardization orders issued by the Office of Price Administration in 1943, the Senate Small Business Committee served primarily as an arbiter between small retailers and distributors and the OPA. Although they may have wanted to play a more aggressive role in the protection of small retailers, an exchange between Senator Wherry and J.K. Galbraith representing the OPA during a Committee hearing in May, 1943 indicated that choices were extremely limited and that all options had both pros and cons, some which might hurt smaller concerns even more than others. The discussion concerned criticism leveled against the OPA by representatives of small retail establishments for its orders standardizing the making of rayon hosiery and forthcoming proposals to standardize various other commodities. This standardization order which would virtually do away with brand name identifications, was to be coupled with price ceilings for the various items. In an attempt to aid the small retailers in buying articles

⁴⁶Ibid.

from manufacturers in competition with chain stores who could easily absorb all production and thereby completely undercut the independents, the OPA had set price ceilings for independents higher than for chain stores. What this meant was that the small retailer could then offer the manufacturer more for his product than could the chain store, and this price differential would thereby enable the independents to purchase goods they might not be able to buy otherwise. What the retailers and the Senate Small Business Committee criticized, however, was that this policy virtually assured the fact that a customer would either pay more for his purchases from an independent retailer; or that the retailer, in an effort to compete with the chain stores, would have to sell the merchandise at a loss.

Dr. Galbraith replied that the complexities of the market system prevented other options. He explained that while the OPA had established ceilings for the purchase of commodities, there had been no attempt to set minimum prices. He saw the possibility that this might even work to the advantage of the independent retailer. If the independent retailer were able to obtain his merchandise for a few cents over what the chain stores paid, he would still be able to sell those goods competitively, especially in smaller communities in which chain stores had not made significant

inroads, he argued. The crux of the problem was in obtaining a balance between the conflicting segments of the economy.

What the OPA had attempted to do as Galbraith explained was:

to take the situation as nearly as possible as we find it, making only those changes which are necessary in order to keep the order down to a reasonably simple form. The more you elaborate and the more allowances you make, of course, the more complicated the order becomes.⁴⁷

Galbraith summarized the choices available to the OPA in establishing ceiling prices. Since chain stores were automatically able to sell products for less than independents they could have set prices high enough for independents to be happy. This would have served to give the chain stores an added margin of profit. If, on the other hand, the OPA had set prices which were realistic for chain stores, smaller retailers would have been unable to make a profit and would have been forced out of business entirely. The third choice was to establish two ceilings, even though this put the price differential clearly into public view. The OPA, however, believed this to be the least of the three evils. The price freezing that had been used previously clearly benefitted those businesses and/or communities which had lower prices at the base date while it encouraged dealings in

⁴⁷ U.S. Senate, 78 Cong., 1 sess., Special Committee to Study Problems of American Small Business, Part 22, Price Practices of OPA, Hearings (Washington: Government Printing Office, 1943), pp. 3001-3004.

black market activities. This problem had become acute in the meat and poultry markets and by setting new price ceilings the OPA was attempting to correct past mistakes.⁴⁸

The biggest disparity between points of view held by the OPA and the Senate Small Business Committee resulted from the fact that they had entirely different interests to protect. The OPA, as Galbraith pointed out, was set up to protect the consumer, while the Small Business Committee, although not insensitive to the needs of the consumer, was primarily interested in the welfare of small businesses. The conflict that resulted was not resolved until 1946 when President Truman finally dismantled the OPA.⁴⁹ That the Committee did not become more deeply involved with the policies of the OPA during the early war years can partly be attributed to the fact that other matters, particularly wartime production, took priority. The change that occurred during later years can be at least partly attributed to the more prominent role Senator Wherry came to play on the Committee.

Wherry and Tom Stewart were members of the subcommittee on complaints which came to do the majority of work dealing

⁴⁸ Ibid., pp. 3007-3008.

⁴⁹ The problems encountered when price controls were ended only illustrates this disparity as shall be discussed more fully in Chapter III.

with price regulation. Other Committee members, and especially Senator Murray, were more involved with small manufacturers, particularly in the mining industry, and later in reconversion and the postwar problems of small enterprises. These differences in emphasis were perhaps not so surprising when the backgrounds of Wherry and Murray are compared. Aside from the obvious party differences, both would seem to have much in common coming as they did from Nebraska and Montana, both western states with relatively small urban populations. Wherry was a small town retailer while the businesses Murray was familiar with as a long time resident of Butte, the copper capital of the nation, were of an entirely different sort.

The biggest difference between the views of Murray and Wherry were, of course, political. Murray was a New Dealer and a committed liberal. He was a strong supporter of labor in his position as Chairman of the Senate Committee on Education and Labor and he was one of the most vocal supporters of anti-trust activities after the war. Wherry, on the other hand, was conservative and somewhat provincial in his outlook. He saw the threat of big government to be as bad as that of big business since there was no force to

regulate government if it became too strong.⁵⁰ In December, 1945 a series of hearings to investigate the impact of price controls and stabilization policies on small business were conducted. As will become even more apparent in Chapter III, Senators Murray and Wherry had entirely different goals in mind when dealing with the Office of Price Administration.

The conflict over military production versus essential civilian production was another area in which the Senate Small Business Committee was unable to provide clear guidance. Although the Smaller War Plants Corporation was authorized to aid concerns dealing in those essential civilian commodities, no one was able to provide a good definition of what exactly they might be. All were agreed that food, clothing, and shelter were examples but what about cars for workers to get to factories, or household "conveniences" for the increased numbers of working women? General Robert W. Johnson,⁵¹ who took over as director of

⁵⁰This information was generalized from H.A. Dalstrom, "Kenneth S. Wherry," (unpublished Ph.D. dissertation, Department of History, University of Nebraska, 1965); "James E. Murray," Who Was Who in America, Vol. IV, 1961-1968 (St. Louis: Marquis, Inc., Von Hoffman Press, 1968), p. 691; and New York Times, 24 March 1961.

⁵¹Johnson was on a leave of absence from Johnson and Johnson for the war's duration. He served as an Army Procurement Officer prior to assuming the post as director

SWPC from Lou Holland until the conflict over reconversion forced him to resign, summarized the difficulty when he said that "when women have to stay home to do the family washing [rather than go to work in a defense-related job], a washing machine becomes as important as a bomber."⁵² While this might have been an exaggeration, it did illustrate the many conflicting priorities that the War Production Board had to consider when making decisions. If war needs and civilian consumer needs had been the only considerations, the task would still have been monumental, but what the Senate Small Business Committee was asking, additionally, was that all these needs be fulfilled while at the same time helping smaller businesses survive and compete. This conflict became even more pronounced in 1943-1944 when the Committee attempted to make plans for reconversion from the wartime economy to a postwar one.

Floyd Odlum, in early testimony before the Committee, had attempted to push for a division in the economy whereby large manufacturers would handle war supplies while small

of SWPC. See U.S. Senate, 77 Cong., 2 sess., Special Committee to Study Problems of American Small Business, Part 10, Smaller Concerns in War Production: I, Hearings (Washington: Government Printing Office, 1942), p. 1132.

⁵²Business Week, 16 October 1943, p. 15.

businesses would supply essential civilian needs.⁵³ This suggestion had been discarded in the formulation of the Smaller War Plants Corporation plan, yet in a statement before the Committee on October 15, 1942, Lt. General Brehon B. Somervell, Commander, Supply Services, War Department, indicated that even so this idea was still very much alive among procurement officers. He summarized the policy of the War Department which, although it called for spreading the production load over the broadest possible base, nevertheless specified that simpler items were to be placed with smaller manufacturers to allow more capacity for production in the larger plants. It also stipulated that existing production lines were not to be slowed down or stopped in order to place the work with small plants not then having war work.⁵⁴ Although the Committee investigations coupled with the activities of the SWPC gradually increased the numbers of small concerns engaged in war production so that by December, 1942 Somervell could boast that sixty-five percent of all Army contracts were with small businesses (plants employing

⁵³U.S. Senate, 77 Cong., 1 sess., Special Committee to Study Problems of American Small Business, Part 1, December 15, 16, 17, 18 and 19, 1941, Hearings (Washington: Government Printing Office, 1942), pp. 206-210.

⁵⁴U.S. Senate, 77 Cong., 2 sess., Special Committee to Study Problems of American Small Business, Part 10, Smaller Concerns in War Production: I, Hearings (Washington: Government Printing Office, 1942), pp. 1175-1176.

500 people or less according to the general's definition),⁵⁵ the unresolved question was still who should get which scarce materials to produce what commodities?

Senator Murray gave a succinct statement of the scarcity problem when he made an opening remark to a hearing conducted on January 13, 1943 on critical, strategic, and essential materials. As he said,

It is generally acknowledged that one of the biggest obstacles to the fuller utilization of smaller plants in war production is the shortage of steel, copper, aluminum, and other basic metals which constitute the life blood of the war industries. . . . This Committee looks upon the thousands of small mine operators as part and parcel of the small business enterprise of the land, which must participate to the fullest extent in the war effort. Operators of small mines have testified before this Committee to the effect that the War Production Board has failed to help them expand the production of essential materials. At the same time the war construction program has brought about an over-expansion of plant facilities which cannot be fully exploited because of a shortage of strategic metals and minerals.⁵⁶

In a statement before the Committee, Harold L. Ickes, Secretary of the Interior, called for the utilization of low-grade ores even if that meant increasing the price

⁵⁵U.S. Senate, 77 Cong., 2 sess., Special Committee to Study Problems of American Small Business, Part 11, Smaller Concerns in War Production: II, Hearings (Washington: Government Printing Office, 1943), p. 1485.

⁵⁶U.S. Senate, 78 Cong., 1 sess., Special Committee to Study Problems of American Small Business, Part 13, Critical, Strategic, and Essential Materials, Hearings (Washington: Government Printing Office, 1943), p. 1801.

ceilings on the metals involved so that the added expense involved in mining them would be justified.⁵⁷ He coupled this suggestion with others involving the use of technological breakthroughs and with having processing plants co-located with the mines to decrease transportation costs.⁵⁸

In February, 1943, Murray received increased support for his interest in critical and strategic materials with the appointment to the Committee of James G. Scrugham, an ex-engineer from Nevada who had previously been a strong supporter of mining interests as a member of the House and had received warm praise from Ickes for his work there.⁵⁹ C. Douglass Buck of Delaware was also an engineer and a welcome addition to the Small Business Committee.⁶⁰ These two men composed the newly-formed subcommittee on the mining and minerals industry.

During April and August, 1943, this new subcommittee conducted a series of field hearings on critical strategic, and essential materials. Although not officially a member of

⁵⁷ Ibid., p. 1821.

⁵⁸ Ibid., pp. 1819-1820.

⁵⁹ Ibid., p. 1821.

⁶⁰ U.S. Senate, 78 Cong., 1 sess., Special Committee to Study Problems of American Small Business, Part 26, Critical, Strategic, and Essential Materials: III, Hearings (Washington: Government Printing Office, 1943), p. 3291.

this subcommittee, Murray continued to be very involved with this subject and conducted the August field hearings personally. (That the Senator was also seeking re-election and that the hearings he conducted took place in Montana gives added insight into Murray's interest.)

Although these investigations also resulted in several pieces of legislation of a technical nature to benefit smaller mine owners, the biggest contributions had nothing to do with legislation. Instead they served as a catalyst between the mining industry and government agencies. As Prentiss M. Brown, successor to Leon Henderson of the OPA told the committee:

This office has reviewed carefully the digests of the field hearings during April before your subcommittee on mining and minerals industry, which you have been kind enough to make available for our use. . . . In reviewing the measures taken since that time under this program, we find that at least six of the operators, who indicated to your committee a need for higher revenues, have already been assigned special copper quotas, yielding premiums in addition to the premium of five cents per pound of copper formally available.⁶¹

Thus it was that by allowing the smaller concerns of the nation to voice their views publicly, the Committee was able to bring about concessions in many areas. Moreover,

⁶¹U.S. Senate, 78 Cong., 1 sess., Special Committee to Study Problems of American Small Business, Part 29, Critical, Strategic, and Essential Materials: VI, Hearings (Washington: Government Printing Office, 1943), p. 3836.

even when concessions were not forthcoming, the very fact that someone in Washington was actually listening to them apparently did wonders for the morale of small businessmen. John T. Sullivan, a businessman from Helena, Montana summed up this attitude at the end of a small business field hearing when he said:

I think we should pass a resolution thanking Mr. Daughters [the special consultant to the Senate Small Business Committee] for his cooperation and also thanking Senator Murray. I think his taking up the cudgel for the small businessmen is one of the finest things that has been done. I think the way he is following through is very commendable.⁶²

In the rush to take on wartime problems, legislation attempting to reduce the mountain of government reports required of small business almost became lost. Although the proposal, known as the Federal Reports Act, was submitted before Pearl Harbor, the priority of the war shifted it to a secondary position. It was not reconsidered and passed until December 11, 1942. Even so, the Act did recognize an increasingly burdensome problem faced by small businessmen particularly, and in many ways this legislation proved to have more lasting results than did other measures dealing with more transitory situations brought about by the conflict.

⁶² U.S. Senate, 77 Cong., 2 sess., Special Committee to Study Problems of American Small Business, Part 6, Small Business Conference, Helena, Montana, Hearings (Washington: Government Printing Office, 1942), p. 654.

The measure provided that information needed by the government was to be obtained by imposing the minimum burden upon business enterprise (particularly small business) and at a minimum cost to the government. All unnecessary duplication of effort in obtaining information through reports, questionnaires, etc. was to be eliminated as rapidly as possible. In order to carry out these objectives, the Director of the Bureau of the Budget was empowered to:

- 1) investigate the needs of various agencies for reports from the public and from other government agencies;
- 2) investigate the methods used to obtain the information; and
- 3) coordinate as soon as possible the reporting services of all such agencies to reduce the cost to the government and the burden to the public such reports caused. What, in effect, the Act did was to force government agencies to furnish information to each other when that information was not of a confidential nature.⁶³ Ease of reporting for business concerns, along with passing references to government economy, was considered more important than decentralization of statistical services into each department of government. Decentralization of information-gathering functions was still allowed, however, as long as coordination existed to prevent unnecessary duplication.

⁶³ Report 479, Part 1, pp. 3-4.

Three years after the passage of the Federal Reports Act, the Senate Small Business Committee assessed the progress that had been made. It indicated that the problem which had existed prior to the war had been intensified during the war years. Yet the Committee believed that the Federal Reports Act had kept the problem from ballooning. It pointed to the fact that complaints concerning government reports had decreased considerably since passage of the Act. Specific government forms that had been simplified or discontinued were cited as were examples in which the frequency of information collection had been decreased. It also pointed to certain instances in which small concerns had been completely exempted from reports requirements due to a lack of manpower or because they did not comprise a substantial part of a given industry. Simplification in forms also took place and examples were given in which certain OPA forms had been cut from twenty-three pages to four pages. Also, concessions to the way in which small businesses kept their accounts were often made so that the government agencies, in effect, asked the right questions rather than requiring the individual businesses to do many recomputations.⁶⁴

⁶⁴U.S. Senate, 79 Cong., 1 sess., Special Committee to Study Problems of American Small Business, Report 47, Part 2 (Washington: Government Printing Office, 1945), pp. 2-22.

Letters of appreciation which the Committee received from organizations such as the American Retail Federation, U.S. Chamber of Commerce, National Association of Manufacturers, and the National Industrial Council indicate that this was one of the most popular measures endorsed by the Committee.⁶⁵ This is understandable considering the lack of opposition to the measure, even within the government. No one at the time seemed concerned with the consolidation of masses of information into easily accessible and widely used government reports which this law allowed. The coming of computer technology probably would have fostered this trend sooner or later, but it is interesting to note in the light of later fears over the uses for such staggering amounts of data in centralized locations that in the 1940's the only concern was for increased efficiency.

In retrospect, the years 1941 through 1943 were busy and productive, yet somewhat chaotic for the Senate Small Business Committee. Reacting to the demands of a now quite vocal interest group, the Committee sought to ease the problems of the automobile freeze, the tire rationing program, and the need to include small manufacturers in wartime production. They also delved into OPA pricing practices, asked important if unanswerable questions

⁶⁵ Ibid., pp. 22-23.

about military production versus essential civilian needs, and investigated government policies regarding shortages in certain critical materials.

Three major pieces of legislation were proposed and passed. Senate Bill 2315 provided relief for dealers in rationed commodities and resulted from the automobile freeze imposed in January, 1942. Senate Bill 2250 established the Smaller War Plants Corporation which did a great deal to insure that small manufacturers were also able to participate in defense contracts. Finally, Senate Resolution 1666, enacted in December, 1942, attempted to limit the amount of paperwork required by the government and thereby reduced the burden on businesses that these reports created.

The Committee also served as a catalyst by bringing together small business interests and representatives of government agencies which so often controlled their fate. These face-to-face encounters sponsored by a group of Senators sympathetic to the needs of small business probably did more to help small concerns survive and prosper than any amount of legislation could possibly have done. Not only did specific changes result from these confrontations between businessmen and government officials, but because the government officials realized that their decisions

might have to be defended at a Senate Small Business Committee hearing, the constraints on their actions which this realization fostered had immeasurable, but nonetheless real, significance.

CHAPTER III

THE COMMITTEE AND RECONVERSION

By the end of 1943 and the beginning of 1944, a definite change in perspective became apparent within the Senate Small Business Committee. With victory becoming more certain, the Committee began to explore the questions of reconversion and its effects upon the smaller concerns of the nation. Contract cancellations, equitable allocation of still scarce resources, and disposal of vast amounts of government surplus commodities were all topics which had to be dealt with as the war wound to an end. The question of price controls also continued to be important especially as the post-war economy developed and the possibility of inflation became more certain. Finally, the role of the Committee itself, and its creation, the Smaller War Plants Corporation, came into question as it became more and more apparent that prosperity, rather than the feared depression, was to follow the war. The conflict which prosperity inspired over the continued need for government regulation of the economy was apparent within the Committee itself in

the opposing views of Senators Murray and Wherry. This conflict culminated in the election of 1946 when the Republicans won a majority in the Senate, and Wherry replaced Murray as Chairman of the Small Business Committee.

Initial moves toward reconversion began in October, 1943 when Robert W. Johnson resigned as the Director of the Smaller War Plants Corporation. He had wanted to shift smaller plants to civilian production since he believed that the utilization of businesses in the war effort had reached a saturation point and that by continuing to gear smaller plants for war work, the process of reconversion would be made that much more difficult for them. His suggestions met with violent opposition from Robert P. Patterson, Undersecretary of War, and Lt. Gen. Brehon B. Somervell, Chief of the Army Service Forces. They convinced Donald M. Nelson of the War Production Board that this was a totally irresponsible attitude to have while the nation was still very much at war, so Nelson requested Johnson's resignation.¹

Yet this sudden rift was not completely unexpected. The Smaller War Plants Corporation had had problems almost from its inception. In a series of closed hearings called to investigate the effectiveness of the SWPC during the

¹Business Week, 16 October 1943, p. 15.

summer of 1943, the Senate Small Business Committee came to the conclusion that drastic changes in personnel and administrative policy were necessary if the SWPC was to function at all as it had been designed to do. Part of the difficulty could be clearly traced to the reluctance of the War Department to work with the SWPC in developing the potential capacity of small business for particular procurement needs. However, the Smaller War Plants Corporation itself was also to blame for its failure to aggressively aid small concerns, the Committee contended. The SWPC was often overly cautious in its financing policies and the exercise of its subcontracting powers had too often remained unused.²

Under Johnson's administration, some of these deficiencies had been corrected and a better working relationship with government procurement officers was developed perhaps because of Johnson's previous assignment as an Army procurement officer prior to assuming the SWPC post.³ He moved to decentralize the Smaller War Plants Corporation

²U.S. Senate, 79 Cong., 1 sess., Special Committee to Study Problems of American Small Business, Report 47, Part I, Senate Small Business Committee - Its Record and Outlook (Washington: Government Printing Office, 1945), pp. 7-11.

³U.S. Senate, 77 Cong., 2 sess., Special Committee to Study Problems of American Small Business, Part 10, Smaller Concerns in War Production: 1, Hearings (Washington: Government Printing Office, 1942), p. 1132.

by setting up fourteen regional offices to work directly with the military procurement officers in each area so that smaller plants in every district could be better utilized. A record of prime and subcontracts placed with small business by the Corporation also showed marked improvement during Johnson's administration while the amount of loans to small businessmen increased as well.⁴

Johnson's biggest problem was that he began to think and talk about reconversion about a year before anyone else did. By 1944 the Senate Small Business Committee was even conducting a series of field hearings to get businessmen's opinions concerning reconversion and had actively sponsored legislation to insure that small business interests would be protected in a post-war economy, but in 1943 Johnson was slightly ahead of his time.⁵

The end of the war was becoming ever more apparent and by 1944 the biggest problem facing business, both large and small, was created by government cutbacks in defense contracts. This difficulty was dramatized in May of that year when the Navy cancelled its contract with the Brewster Aeronautic Company for the manufacture of Corsair aircraft. Although Brewster Aeronautic could not be considered a

⁴Report 47, Part I, p. 7-11.

⁵Ibid.

small enterprise, employing as it did 10,000 persons, it is interesting to note that in its justification for the cancellation, the Navy pointed out that the Brewster plant was the smallest manufacturer of Corsairs and implied that the cancellation was therefore less "significant" than if it had affected a more major producer. They were also quick to stress the \$180,000,000 this cancellation would save the Navy while assuring the public that defense requirements would not be impaired.⁶

The initial concern over the Brewster contract termination involved an interesting twist to the labor question. The United Auto Workers staged a sit-in at the plant, not in conflict with management, but in protest over the Navy decision.⁷ In a New York Times editorial, the question of reconversion was not even raised, instead the Times argued that labor was being selfish, even unpatriotic, since there were still plenty of defense jobs which needed doing even if they all did not pay the \$1.06 per hour as had the Brewster plant. The editorial went on to point out that the major effort of the war still lay ahead and even

⁶ New York Times, 23 May 1944.

⁷ Ibid., 30 May 1944 and 31 May 1944.

suggested that the idea of National Service legislation not be abandoned simply because the end of the war might soon be forthcoming.⁸

The broader aspects of the contract termination problem as they applied to business enterprises were not lost on Senator Murray and the other members of the Senate Small Business Committee. Although the Brewster Company was located in Long Island, the Committee anticipated the biggest impact of contract termination would be felt in the West since it had been that region which had built up most remarkably in support of the war effort.⁹ The Committee, therefore, decided to hold a series of hearings in the Western states to assess the problems there first hand and to let concerned individuals in those states know that their interests were not being totally ignored in Washington.

⁸ Ibid., 31 May 1944. National Service legislation had been discussed throughout the war and, if passed, would have allowed the government to conscript workers for war-related civilian jobs just as was done for military service.

⁹ In 1940, California had only 1,000 people engaged in aircraft manufacturing. Between 1941 and 1945 this figure jumped to 300,000. The Boeing Company of Seattle employed over 40,000 workers during the war while the Denver Arms Plant, operated by the Remington Company, and the Rocky Mountain Arsenal had combined employment figures in excess of 35,000. See Gerald D. Nash, The American West in the Twentieth Century: A Short History of an Urban Oasis (Englewood Cliffs, New Jersey: Prentice Hall, 1973), pp. 206-208.

These hearings were held during July and August, 1944 in Montana, Washington, Oregon, California, and Arizona. In an opening statement to the hearings held in San Francisco, Senator Murray summarized the problem:

Two months ago the sudden termination of the Navy Department's contract with the Brewster Aeronautic Corporation in Pennsylvania and New York provided a test-tube example of what will lie before the country as we approach the end of the war. The Brewster case has aroused widespread interest in the problems of reconversion and post-war readjustment. It has demonstrated the need for careful post-war planning if we are to avoid the development of chaotic conditions. The Pacific Coast has been selected for special study and consideration because it is recognized that this area will present a most serious situation when contract terminations begin.¹⁰

These hearings resulted in no legislative program to aid western small business. In fact, plans to hold similar hearings in the south never materialized.

One of the best guarantees for the future of small business, Murray believed, was to insure equal representation for small concerns on government planning boards. In late 1944, therefore, he introduced a bill which would have created a Small Business Corporation, an independent agency with more power and authority than was then possessed by

¹⁰ U.S. Senate, 78 Cong., 2 sess., Special Committee to Study Problems of American Small Business, Part 43, Developing the West Through Small Business: IV, Field Hearings, San Francisco, July 31 and August 1, 1944 (Washington: Government Printing Office, 1944), p. 5327.

the Smaller War Plants Corporation. He proposed to increase the capitalization of this new agency so that it would be able to handle effectively any difficulties encountered by smaller concerns during the reconversion period.¹¹ When this proposal was interred in the Banking and Currency Committee, Murray's hopes for an independent small business agency were indefinitely postponed.¹²

The furor created by this seemingly innocuous bill which only attempted to establish for small business an agency similar to that already in existence for farmers, can hardly be imagined and resulted in the first significant division within the Committee itself. The opposition to Murray's bill turned to Senator Wherry for leadership since he, as the leading Republican on the Committee seemed most likely to support efforts to decontrol the economy. A letter to Senator Wherry from DeWitt Emory, President of the National Small Business Men's Association, an organization which had been formed as a result of the Depression's impact upon smaller enterprises, summarized the feeling of at least some small businessmen:

¹¹U.S. Senate, 78 Cong., 2 sess., Special Committee to Study Problems of American Small Business, Report 12, Part 4, Small Business Act of 1944 (Washington: Government Printing Office, 1944), pp. 2-8.

Some members of Congress seem to be under the impression that the greatest ambition of all, or most, small business men is to have the Government do their thinking for them, plan the operation of their businesses, loan them unlimited sums of money, re-design or develop new products for them, and to place a field consultant for small business within easy reach of every small business man in the country. I assure you that at least ninety-five percent of the small business men in the United States want none of these things. . . . Given a fair break on taxes, on labor legislation and administration, on the enforcement of the anti-trust laws, the small business man can be depended on, not only to take care of themselves [sic] but also to provide employment for more returning service men and women than all of the big companies in the United States put together.¹³

An editorial in the Chicago Daily Tribune echoed these sentiments. Quoting State Representative Fred A. Livkers of LaGrange, President of the Conference of American Small Business Organizations, another newly-formed small business group, the editorial said that small business did not want another tax-spending government bureau. It indicated that private banks could easily handle financing and went on to suggest that Murray's bill would make successful small businesses assume the burden of those businesses which should normally be doomed to failure because of their inefficiency or lack of able management. Seeing the bill

¹³Dewitt Emory to Kenneth S. Wherry, 7 August 1945, Papers of Kenneth S. Wherry, Nebraska State Historical Society. Hereafter cited as WP.

as a continuation of the New Deal, the conservative Tribune insisted that it would mean the end of independent small business.¹⁴

Senator Wherry, in response to the many letters he received denouncing the Small Business Bill, had second thoughts about his initial support of the legislation. In a letter to a constituent who had written to oppose the measure, Wherry announced that he had withdrawn his name from support of Murray's bill.¹⁵ By dividing the Committee, he effectively ended the chances for passage of the bill.

When the Small Business Bill failed to receive Wherry's continued support and met with disinterest from members of the Banking and Currency Committee, Murray had to settle for continuation of the SWPC and the authorization in Senate Bill 2004 which increased the capitalization of that Corporation by \$200,000,000. The Senate passed this proposal in June, 1944 but difficulties encountered in the the House of Representatives delayed it until December 11, when the President approved the measure.¹⁶

¹⁴Chicago Daily Tribune, 13 July 1944, editorial, WP.

¹⁵Wherry to Charles Ammons, Cushman Motor Works, Lincoln, Nebraska, 29 August 1944, WP.

¹⁶Congressional Record, 78 Cong., 2 sess., 90:9097.

The increased capitalization provided for the SWPC by Senate Bill 2004 had been made necessary by the passage of several pieces of reconversion legislation which had been enacted during the summer and fall of 1944. These laws had wide-ranging impact on the nation's economy, and each contained a provision dealing with aid to small business during the reconversion and post-war period.

The Contract Settlement Act (Public Law 395) was enacted in August, 1944. Senator Murray actually coordinated the bill in the Senate through his membership on the three committees, including the Small Business Committee, which considered the legislation. The philosophy behind the bill was that the government should quickly terminate unnecessary contracts so that business interests would "know where they stood" in the reconversion period and could plan accordingly.¹⁷ It provided the SWPC with the authority to furnish interim and other necessary financing as well as expedited compensation for small businesses in connection with their war contract termination claims.¹⁸

The Surplus Property Act (Public Law 457) was passed in November, 1944. This act was even more controversial

¹⁷Roland Young, Congressional Politics in the Second World War (New York: Columbia University Press, 1956), pp. 199-200.

¹⁸Report 47, Part 1, pp. 9-10.

than the Contract Termination Act since just about everyone had a different idea as to how government stockpiles and surplus property could best be utilized. As it affected small business, however, the Act gave the Smaller War Plants Corporation the power to finance by loan or guaranty, the purchase of government-owned plants or surplus property by smaller concerns. The SWPC was further authorized to make purchases itself for later resale to small enterprises. It was estimated that there was from \$75,000,000,000 to \$102,000,000,000 in government surplus to be disposed of ranging from shirts, to jeeps, to bomber plants. The Committee believed that the right disposal policy could support an expanding small business economy while the wrong policy could conceivably ruin the free enterprise system itself by escalating economic concentrations. Not only was there equipment to be disposed of, but it was estimated that there was \$16,500,000,000 worth of government-financed war plants which would also be placed on the auction block. Of these plants, 1,163 were estimated to cost between \$25,000 and \$249,000 while 1,027 cost between \$250,000 and \$1,000,000. The Surplus Property Disposal Act contained stipulations against all monopolies or undue concentration. By authorizing the Smaller War Plants Corporation to acquire and finance small-lot surpluses for small business, the

interests of small enterprises were thereby enhanced. There was also a stipulation in the measure which required the Attorney General to certify conformity with anti-trust laws for all plant disposals worth over one million dollars. In a variety of ways, therefore, the Surplus Property Disposal Act was decidedly advantageous to the small concerns of the nation.¹⁹

The War Mobilization and Reconversion Act (Public Law 458) proved to be the most controversial of the three reconversion measures since it attempted to deal with the "human side of reconversion." An omnibus measure dealing primarily with the predicted problems of unemployment and readjustment to a civilian economy, the Act contained a provision which authorized the Smaller War Plants Corporation to present claims on behalf of small enterprise to the newly-established Reconversion Director. These claims would supposedly enable small plants to be allocated a fair percentage of scarce materials. The SWPC would also be authorized to regulate the distribution of these resources to small businesses.²⁰

¹⁹ Ibid., pp. 15-17.

²⁰ Ibid., pp. 9-10. The fear of unemployment at the conclusion of the war was uppermost in the minds of most people. The most popular solution proposed to this anticipated problem was to encourage free enterprise. Fortunately, these unemployment fears did not materialize

Although the Congress had expanded the role of the Smaller War Plants Corporation dramatically through these reconversion measures, the Corporation was still due to expire on July 1, 1945. Uncertainty surrounding the life of the Corporation continued almost up until the last moment. Senator Murray had hoped for support of his bill to make the SWPC independent of the War Production Board and to give it an indefinite life span; however, when action was not forthcoming, he and the other members of the Senate Small Business Committee compromised on a simple extension of the Corporation. Senate Bill 105 was passed April 9, 1945 and became law on April 30.²¹ The lack of permanence which had dominated the operation of the Smaller War Plants Corporation and the uncertainty which ensued made it difficult to provide continuity in the administration of the Corporation and was a primary cause for poor morale among SWPC personnel. These factors, combined with the confusion and doubt they engendered among small business concerns, were also reasons most members of the Small Business Committee had thought it so important

and by 1946 most people were confident that their jobs were secure. See George H. Gallup, The Gallup Poll, Public Opinion 1935-1971, Vol. 1 (New York: Random House, 1972), pp. 478, 481, 496, and 581.

²¹Congressional Record, 79 Cong., 1 sess., 91:3186 and 3939.

that a permanent peacetime Corporation be established.²² Since a consensus on this issue had been lacking, the SWPC continued to exist from year to year until 1947 when it was terminated.²³ Although the majority of the functions carried out by the SWPC were continued by the Department of Commerce and the Reconstruction Finance Corporation, it was not until 1953 when the Small Business Administration was finally created that Senator Murray's goal was realized.²⁴ The fact that Senator Wherry took over as Chairman of the Senate Small Business Committee in 1947 is significant in this regard. At least equally important, a boom rather than a depression followed the end of World War II and small businessmen were too busy returning to a lucrative peacetime market to support actively the creation of another government agency of only dubious merit.

The passage of the contract settlement and surplus property disposal legislation did a great deal to protect the interests of all businesses in the nation. Yet the War Production Board continued to control all allocations of critical and essential materials and to set priorities on

²²Report 47, Part 1, p. 11.

²³Congressional Record, 80 Cong., 1 sess., 93:4181.

²⁴Ibid., 88 Cong., 1 sess., 99:10647.

manufacturing as well. This shortage of materials, especially steel, created many problems for small plants which had had government contracts cancelled and yet were unable to get materials so that they could manufacture products for the civilian market. In June, 1945, the Committee conducted a hearing on the impact of reconversion policies on small enterprises in which several small business spokesmen voiced their uncertainty and concern for the future. Caught as they were between defense cutbacks and the priority system which denied them adequate materials for civilian production, the future of many concerns did, in fact, look bleak. There was general agreement among small business representatives at the hearing that special priorities should be established for smaller concerns to enable them to proceed with civilian production since "the big boys could take care of themselves."²⁵

At this same hearing, J.A. Krug, Chairman of the War Production Board, defended his use of priorities and pointed out that with the coming end of war "small business people have the greatest opportunity in their lives. They have, I am sure, the greatest chance for success and

²⁵U.S. Senate, 79 Cong., 1 sess., Special Committee to Study Problems of American Small Business, Part 65, Impact of Reconversion Policies on Small Business, June 15, 18, and 19, 1945, Hearings (Washington: Government Printing Office, 1945), pp. 7699-7706.

prosperity that small business has ever enjoyed."²⁶ Krug went on to announce the lifting of restrictions on aluminum and when fears about small business being able to get its fair share of this product were raised, he pointed out that there would be more than enough aluminum for all conceivable civilian needs. This had been made possible during the war, he indicated, when production of this metal had increased tenfold. "Here is a tremendous resource built up during the war, waiting there ready for someone to manufacture products from it," he concluded.²⁷

The period between the ending of hostilities with Germany and the surrender of Japan was a strained one for the allocation of critical resources. War production still had to proceed since the end of the war with Japan was uncertain, yet a return to a civilian economy was to be at least partially encouraged. The WPB issued several priority regulations during this time, yet the Senate Small Business Committee criticized each of them as inadequate. Priorities Regulation 27 had been designed specifically as an aid to small businesses and allowed qualifying firms to use the much sought after AA-4 rating in order to purchase scarce

²⁶ Ibid., p. 7716.

²⁷ Ibid., pp. 7723-7724.

commodities for use in civilian manufacturing. Unfortunately, certain members of the Committee believed, preferential treatment had engendered a "fear psychology" among small businessmen since they took this action to mean that the government was forecasting difficulties ahead for them. While the Committee did not call for the discontinuation of special treatment for small business in the allocation of priorities, it did suggest that continued vigilance was necessary if smaller concerns were to survive the transition period.²⁸

In Priorities Regulation 28, the WPB announced a further aid to small business. Small firms would be allowed to apply for special priorities to assist them in obtaining bottlenecked items which were holding up their production of civilian goods. This preference rating, however, turned out to apply only to exceptional civilian cases, notably in the production of washing machines, refrigerators, and civilian aircraft. Therefore, the Committee argued that what had been lauded as an aid to small business was virtually useless.²⁹

²⁸ U.S. Senate, 79 Cong., 1 sess., Special Committee to Study Problems of American Small Business, Report 47, Part 3, Impact of Reconversion Policies on Small Business (Washington: Government Printing Office, 1945), pp. 3-5.

²⁹ Ibid.

On June 30, 1945 the WPB issued Priorities Regulation 29 which not only established a new priority rating structure for military production, but also provided for the eventual elimination of all civilian priority ratings unless the WPB felt it was necessary to establish procedures to "give priorities assistance for war-supporting or highly essential civilian purposes." The Committee also criticized this regulation since there was no guarantee that the size of a firm would be considered in determining what special assistance should be granted.³⁰

What the Senate Small Business Committee recommended was that the WPB amend its regulations so that preferential ratings would be given to firms doing less than \$100,000 in business per quarter. This assistance should be granted to any smaller firms needing one or two commodities to resume civilian manufacture not just to those "exceptional cases" referred to in Regulation 28. The Committee further called for the strengthening of the War Production Board's use of its powers of inventory control since the Committee thought a real danger existed for larger firms to indulge in preemptive buying of scarce materials once the war in Europe had ended.

³⁰
Ibid.

Additionally, the Committee suggested that the WPB, together with the War Manpower Commission, investigate the possibility of removing all manpower controls over producers of basic raw materials even in areas where labor was in critical supply.³¹ It also wanted the WPB to adopt a definite policy for setting a proportionate share of basic materials, particularly steel, aside for the exclusive use of smaller concerns. This amount should be based on previous use of such materials by individual small plants, the Committee asserted.³² While the provisions contained in the War Mobilization and Reconversion Act addressed some of these areas, bottlenecks and delays in receiving shipments continued to create problems for civilian manufacturers.³³

It seemed to most members of the Committee that the efforts involved in shifting the economy from war production

³¹ Although not as stringent as the proposal for conscripting workers for defense-related jobs, manpower controls took the form of wage ceilings, anti-strike provisions, and even the use of military personnel furloughed for work in defense production when civilian labor was unavailable or engaged in illegal work stoppages as had occurred in the copper mines of Montana during the early years of the war. See U.S. Senate, 77 Cong., 2 sess., Special Committee to Study Problems of American Small Business, Part 11, Smaller Concerns in War Production: II, Hearings (Washington: Government Printing Office, 1943), pp. 1537-1538.

³² Report 47, Part 3, pp. 7-8.

³³ New York Times, 19 August 1945, IV, p. 7.

to peacetime manufacturing required almost as much government regulation as had been necessary to gear it for war initially. Chairman Murray and most of the Senate Small Business Committee had no real quarrel with this government supervision of the economy. What they wanted to insure was that this control would result in favorable, or at least equal, treatment for small concerns. Senator Wherry, however, although equally concerned about the well-being of small businesses, began to believe the answer lay, not in government regulation, but in the removal of economic controls over the business sector. During the same hearing on reconversion policies, Wherry interjected:

The average small businessman is afraid of orders. He is afraid of directives. He doesn't know what the government is going to do. . . . In the meetings we held under the able leadership of the Senator from Montana, time and again small business said: 'We want government off our backs; we want the right to get materials the same as anybody else.'³⁴

Unlike other differences of opinion, the conflict within the Committee over the use of priorities did not create any overt problems. It merely reflected the broader feelings within the Congress and the nation as to the best ways to deal with the coming post-war situation.

³⁴Hearings, Part 65, pp. 7717-7718. This statement is interesting since several small business representatives at that same hearing requested more government regulation of the economy during the reconversion period rather than less; pp. 7713-7770.

Certainly, the rapid ending of hostilities with Japan permitted a smoother transition to a civilian economy. With the exception of temporary bottlenecks in the distribution of commodities to all who wanted them, small businesses generally found more resources available after the war than there had been prior to it. This increase in the production of raw materials brought about by the war along with the technical advancements which had resulted, particularly in the use of the newer metals like aluminum and magnesium, combined with an almost endless consumer capacity to insure the prosperity of the post-war period. Business optimism had returned by the end of 1945. The New York Times even went so far as to report that small business had suffered no reconversion hardships while a Department of Commerce survey of 7,000 smaller manufacturers showed that they planned a \$9,200,000,000 self-financed expansion program during the next year, a move which had surprised government economists by its optimism.³⁵

The question of price regulation was the second area of government control with which the Senate Small Business Committee became involved during reconversion. In a report published by the Committee in March, 1946

³⁵New York Times, 25 October 1945 and 1 August 1945.

after a series of hearings into pricing problems as they affected small business, the Senate Small Business Committee decided that only sufficient production of goods at customary levels could remove the inflationary dangers present in the economy. Until this level of production could be achieved, the Committee thought that continued price controls were necessary. The report pointed to several reasons which kept production from reaching this necessary level. Labor difficulties and shortages, dislocations as industries shifted from defense work to civilian production, bottlenecks and temporary shortages in materials, and transportation difficulties, all hindered the full production which they believed would guarantee freedom from inflation. The fact that the OPA was due to expire in June, 1946 while this full production had not yet been achieved, made most of the Committee members press for an extension of the life of that agency.³⁶

Although the Committee believed that some form of price regulation was necessary until full production could be reached, it had received numerous criticisms about the actual operation of the Office of Price Administration. The Committee continued to serve as a focal point in Congress

³⁶ Report 47, Part 4, pp. 1-2. Wherry appeared to be the only outspoken critic of the OPA on the Committee.

for small businesses having problems with government agencies which they were unable to settle directly. On December 21, 1945, the Senate passed a budget for the operation of the Committee which recognized this function and included a substantial fund for special treatment of the reconversion problems of small business. The OPA even set up a special liaison officer to work directly with the Committee to handle problems encountered by small business which required Washington action.³⁷

The Committee believed that the OPA should constantly review its policies so that they did not discourage production as had been done, for example, in the shortening and vegetable oil pricing policies. Price increases should be allowed whenever it was shown that they could stimulate production.³⁸

Most members of the Committee considered the use of cost absorption to be especially important in controlling inflation. This policy attempted to balance cost decreases with cost increases in determining an industry-wide price. By so doing, the

³⁷ Ibid., pp. 2-3.

³⁸ Ibid., pp. 3-5. U.S. Senate, 79 Cong., 2 sess., Special Committee to Study Problems of American Small Business, Part 90, OPA Shortening and Vegetable Oil Price Policy, Hearings (Washington: Government Printing Office, 1946), pp. 10269-10277.

policy prohibited price increases when costs had decreased through the use of large-volume production techniques simply because the pent-up consumer demands for a product would support a higher price. A delicate balance had to be struck between allowing adequate profit to encourage production while keeping a ceiling on prices so that the law of supply and demand did not drive them to totally unacceptable levels with a concomitant rise in the cost of living and the push for higher wages which would follow driving prices even higher.³⁹

The problem of quality control and the OPA's attempts at maximum average pricing (M.A.P.) were also analyzed. What the OPA had attempted to do through the use of M.A.P. was to insure a wide distribution of goods in all price ranges. Certain producers, especially in the clothing industry, were required to average out their production of high-cost goods with an amount of low-cost goods so that an average price of all goods shipped in any given period would not exceed the OPA approved price. This regulation had created many problems since producers often cut back production of less profitable goods so that they could concentrate on those which brought in more money. The evil of "tie-in sales" whereby manufacturers sometimes

³⁹Report 47, Part 4, pp. 5-7.

required retailers to buy cheap goods in order to be able to purchase more desirable merchandise was also fostered through the application of M.A.P., especially in the liquor and clothing industries.⁴⁰

The Committee also addressed the difficulties involved in the distribution of goods. It criticized the OPA for not becoming more involved in this area of the economy. Particularly in the distribution of cotton greige goods, nylon hosiery, lumber, and scarfs (which were being sold to circumvent regulations pertaining to piece goods), the Committee deemed it essential that greater coordination between the OPA and the Civilian Production Agency be forthcoming. Each of these problems was unique; however, they all centered around the manufacturer attempting to cut the wholesaler out of the distribution picture so that a greater profit margin would remain at the production level for the manufacturer to pocket. The Senate Small Business Committee did not have specific recommendations to offer dealing with this problem except to suggest greater "distribution controls." The Committee concluded its recommendations concerning the OPA by stating that price controls should interfere as little as possible with normal business processes; at no time should they be allowed to force any group

⁴⁰Ibid., pp. 8-13.

out of business or prevent anyone from entering business unless it could be shown to be vital to the maintenance of price control itself. This line of reasoning was interesting since it indicated the dedication the Committee had to the maintenance of price controls. Even though they were committed to the protection of established distribution channels and profit margins, most Committee members, with the notable exception of Wherry, felt that price regulation was even more important to the overall well-being of the economy.⁴¹

Although the OPA was extended for another year, hostility toward that agency was building. Just as in the drive against the Small Business Corporation, Senator Wherry became the central figure in the battle to end price controls. The change in Wherry's attitude toward price controls is almost startling. While he, like Murray and the other members of the Committee, had had specific and often important complaints about the actual functioning of the OPA, Wherry had generally supported the necessity for price ceilings during the war years. In a letter to a constituent on July 6, 1945, Wherry summed up this attitude:

There are many things about the OPA of which I do not approve. However, it was generally felt by the Senate that some control of prices was better than no

⁴¹Ibid., pp. 14-16.

control and accordingly even in spite of the OPA criticism, [I] felt it should be extended another year.⁴²

By October, 1945, however, Wherry wrote to Martin C. Huggett, Executive Secretary for the Chicago Metropolitan Home Builders' Association expressing an almost personal antagonism toward the OPA. He said in part, "It was my pleasure to vote against and help defeat L-41 [which attempted to set price limits on building materials]. I hope it is my further good fortune to help throttle Chester Bowles and his many unfair practices in the OPA."⁴³

In response to Wherry's criticisms, Chester Bowles wrote the Senator a letter on November 25, 1945 in which he indicated that Wherry had misunderstood the purpose of establishing dollar and cent ceilings on building materials. Wherry had suggested that the OPA was attempting to unfairly control profits and not prices per se. Bowles went on to explain:

If it was our purpose to control profits we certainly have been grossly inefficient, for industrial profits have risen 450 percent, 1944 over av. 1936-39. Department store profits have risen over 1000 percent. If my aim was profit control, I should be taken to the middle of the Potomac River and sunk in thirty feet of water.

⁴²Wherry to Meta M. Martin, 6 July 1945, WP.

⁴³Wherry to Martin C. Huggett, 8 October 1945, WP.

Bowles closed his letter to Wherry by indicating that orderly decontrol of the economy would best serve the national interest, including that of small business.⁴⁴

By the early part of 1946, Wherry had decided to fight the OPA wholeheartedly. In a letter to another constituent he wrote:

I might add here that it is my opinion that we would be better off without OPA unless its present set-up can be made more flexible. . . . I feel it is the duty of every American citizen to do all within their power at this time to rid us of bureaucratic control.

This letter is even more interesting since it was in response to a letter to Wherry stating that price controls should be continued.⁴⁵

Wherry, of course, was not alone in his growing dislike for the OPA. In January, 1946 an Omaha World-Herald editorial stated the case against continued price controls. The paper argued that price controls did not, in fact, protect the consumer, especially in the case of items in great demand. By enforcing ceilings on goods, the editorial contended, scarcity was only increased since very often companies could not induce men to work at wages they could afford to pay under their price ceilings. Black market

⁴⁴Chester Bowles to Wherry, 25 November 1945, WP.

⁴⁵Wherry to K.O. Broady, 15 March 1946; Broady to Wherry, 12 March 1946, WP.

racketeering was rampant since the situation bred "fly-by-nights with their sleazy goods and questionable business methods."⁴⁶

An editorial in the Arizona Daily Star echoed this theme. Pointing to the experiences after World War I, the Star thought temporary inconveniences would be better than the attempt at "bottle-feeding the American people under the guise of economic security and stability." It pleaded that:

With a world crying for reconstruction, with millions of homes and their furnishings to be manufactured, with millions of automobiles to be sold and increasing millions of mouths to be fed, let us have enough faith in the principle of free initiative to bring an early end to these blighting controls. Let us not be frightened by bogeyman tales of the 1919-1920 period. Let us have faith that what made this country great will continue to make it great, and that Americans are not weaklings, unwilling to take risks and hardships that go with the functioning of the free market of a free society. Let us end the controls.⁴⁷

The New York Times took a slightly more moderate view. While it advocated continuation of the OPA for the time being, it did call for liberalization of controls, especially if it would encourage production. The Times

⁴⁶ Omaha World-Herald, editorial, "The Crumbling Dike," 17 January 1946, reprinted in Congressional Record, 79 Cong., 2 sess., 92:A153.

⁴⁷ Arizona Daily Star, editorial, "Let Us End the Controls," 28 February 1946, reprinted in Congressional Record, 79 Cong., 2 sess., 92:A1216.

editorial saw price controls as only a short-term measure which only indirectly regulated inflation. As such, price controls should be ended "as promptly and as smoothly as conditions make possible," the paper concluded.⁴⁸

Congress did extend the OPA in a greatly weakened form during the summer of 1946, but when it failed to stabilize the economy President Truman despairingly terminated the agency on November 6.⁴⁹ Prices rose immediately after ceilings were removed. Food prices six months after the end of price controls were fifty percent higher than they had been the previous year while manufactured products were up thirty-five percent. Some business analysts believed these figures indicated that the economy would soon suffer an even greater fall than had previously been predicted, but it was not until several years later that their warnings would prove at least partially true.⁵⁰

While the Senate Small Business Committee, with the exception of Wherry, continued to press for government

⁴⁸ New York Times, editorial, "Congress and Price Controls," 8 April 1946, reprinted in Congressional Record, 79 Cong., 2 sess., 92:A2020.

⁴⁹ Congressional Record, 80 Cong., 1 sess., 93:A1040.

⁵⁰ C.F. Hughes, "Merchants Point of View," New York Times, 2 March 1947, reprinted in Congressional Record, 80 Cong., 1 sess., 93:2043.

regulation of the economy with special emphasis on preferential treatment for small business, it was becoming increasingly apparent that J.A. Krug had been right, that unlimited potential, even without government assistance, existed for small firms. Popular publications began running "how to" articles for starting various small business ventures with emphasis on the returning veteran.⁵¹ Ideas for publicizing surplus property sales to encourage veterans to buy materials so that they could go into business for themselves were also advanced.⁵²

Since the economic outlook, if not positively rosy, was at least much brighter than anyone had predicted, the Committee began to focus on ways to insure that small business received its fair share of any post-war bonanza. Although the Committee never succumbed to a totally pollyana spirit, always fearing the threat of monopolies and greater

⁵¹W.R. Jenkins, "Before Starting Your Own Business: Advice to Returning Servicemen," Reader's Digest, May, 1945, 46:89-92; J.D. Woolf, "If I Were Starting a Small Business," Reader's Digest, July, 1945, 47:98-100; M. Maverick, "Opportunities for Veterans: What Small Business Offers and How Returned Servicemen Can Get Into It," New York Times Magazine, 30 September 1945, p. 12+; these are only examples of a favorite topic in the publications of the reconversion period.

⁵²U.S. Senate, 79 Cong., 2 sess., Special Committee to Study Problems of American Small Business, Part 98, Effect of Current Surplus Property Disposal Policies on Veterans in Small Business: III, Hearings (Washington: Government Printing Office, 1946), p. 10995.

economic concentration, it was not completely immune to the growing feeling that prosperity was near.

In hearings conducted in April, May, and June, 1945, the Committee studied the question of how to insure small business a place in the expanding world market. Maury Maverick, Chairman of the Smaller War Plants Corporation, even prepared a bill to enable the SWPC to enter into contracts with foreign governments on behalf of small enterprises.⁵³ The Committee proposed a bill similar to Maverick's on May 13, 1946, yet like so many of the Committee's later proposals, it died in the standing committee to which it had been referred.⁵⁴

This effort to insure small business its fair share of any advantages resulting from the coming of peace was also evident in a series of hearings conducted during February, March, and April, 1945. Containing over one thousand pages of testimony, these hearings attempted to assess the future of light metals and to see what could be done to insure that small business could benefit from the tremendous advances which had been made in that industry

⁵³U.S. Senate, 79 Cong., 1 sess., Special Committee to Study Problems of American Small Business, Part 62, World Markets for Small Business: II, Hearings (Washington: Government Printing Office, 1945), p. 7335.

⁵⁴Congressional Record, 79 Cong., 2 sess., 92:4881.

during the war. Seeing the future production of the nation coming to depend on aluminum and magnesium as much as it always had on steel, the Committee was concerned that the disposal of government-owned plants and stockpiles be done equitably. "The way in which we dispose of them," said the Committee, "will fix the opportunities for the economical development and use of light metals in this country for many years to come."⁵⁵

The Committee stressed the fact that in the production of aluminum and magnesium, two-thirds of the labor took place in the fabrication processes. Additionally, all but a few of the fabricators of these metals were classified as small businesses just as were most of the retailers of these products. Since the Federal government had become the biggest producer of aluminum and had backed production of most other light metals to the extent that a pre-war production of 300,000,000 pounds of aluminum had increased to 2,000,000,000 pounds, a valuable resource had been developed.⁵⁶

⁵⁵U.S. Senate, 79 Cong., 1 sess., Special Committee to Study Problems of American Small Business, Part 47, Future of Light Metals, Hearings (Washington: Government Printing Office, 1945), p. 6008.

⁵⁶Report 47, Part 1, pp. 27-28.

Representatives of large companies also testified at these hearings and it was apparent that the Committee intended no witch-hunt until the question of the Shipshaw Contract arose. This contract involved concessions to the Aluminum Company of Canada, a subsidiary of Alcoa, the undisputed giant in the aluminum field, by the Office of Production Management during the war. A complex issue, fraught with pros and cons, it had also been the subject of an investigation by the Truman Committee Investigating the National Defense Program. Senator Truman had stated that "we are principally interested in getting aluminum; I would be willing to buy aluminum from anybody. I don't care whether it is the Aluminum Company of America or whether it is Reynolds or Al Capone."⁵⁷ This reminder that the exigencies of the wartime situation demanded action which was not always beneficial to everyone defused the potential scandal.

Although the Committee continued to be very active with its hearings and investigations, it was otherwise almost silent concerning the problems of small business as the war came to an end. Legislation was proposed as in the

⁵⁷U.S. Senate, 79 Cong., 1 sess., Special Committee to Study Problems of American Small Business, Part 59, The Shipshaw Contract: III, Hearings (Washington: Government Printing Office, 1945), p. 7101.

cases of aid to small businesses in foreign markets and to provide for a peacetime Small Business Corporation, but when these measures received little interest in Congress and relative indifference, if not hostility, from small businessmen themselves, they were allowed to die. In fact, so unsympathetic were some small businessmen to later Committee hearings that criticism was even raised that witnesses had been purposely selected who represented Committee views as opposed to the attitudes of most small businessmen.⁵⁸

The reason that small business had become so disinterested in government aid was a valid one. With reconversion, they had become so busy returning to a fully civilian operation (and making money in the process) that they had very little to gain from government assistance

⁵⁸ Excerpt in Wherry's file from undesignated letter from Indianapolis, Indiana dated 22 May 1944, WP. Wherry's staff had made a typed copy of the original letter which was not filed and the name of the writer was not included on this copy. Wherry seemed to consider it an important criticism, however, as he had the excerpt typed and filed with his papers on the Senate Small Business Committee. While the veracity of such criticism cannot be assessed with the resources available, it should be noted that several times during the Committee hearings, a point was made that business spokesmen or letters from businessmen in support of Committee proposals were unsolicited. See U.S. Senate, 79 Cong., 1 sess., Special Committee to Study Problems of American Small Business, Part 65, Impact of Reconversion Policies on Small Business, Hearings (Washington: Government Printing Office, 1945), p. 7693.

and actually stood to lose in some cases by further government regulation of the economy, even in the guise of assistance to them. Unlike farmers who did not compete directly with each other for a piece of the market, small businessmen had more to fear from government aid to their competitors than they had to gain from that very assistance for themselves once prosperity was assured.

Business Week commented on the background of this prosperity when it pointed out that the previous five years, rather than working against small business, had actually strengthened it. The article pointed to the advantages small business had enjoyed during the war through tax breaks and the "ravenous civilian market" which large concerns had left almost exclusively to smaller businesses when they turned to war production. It also mentioned the protection Congress had provided for small concerns which had caused the OPA and other government agencies to deal with them more gently than they did with their large competitors. Although the article mentioned small business fears that by 1947 they might be losing ground competitively when compared to big business, it indicated that small business was in a much stronger position than it had ever been in before the war.⁵⁹

⁵⁹Business Week, 31 May 1947, p. 15.

In one of the few statements concerning small business before the Senate in the early post-war period, Senator Murray took a much more pessimistic view. Citing statistics prepared by the Smaller War Plants Corporation, he showed that big business had grown tremendously during the war. These figures indicated that this increase had been most pronounced among those very large firms - those employing 10,000 or more workers. These giant corporations increased their share of total manufacturing employment from thirteen percent in 1930 to thirty percent in 1944. Murray also pointed to the increase in the number of mergers, particularly in the fields of iron and machinery, drugs and pharmaceuticals, liquors, foods, and textiles. He saw this trend toward concentration as frightening and called for a strong resumption of anti-trust prosecutions by the Department of Justice in order to prevent collectivism and maintain economic freedom.⁶⁰

Murray's belief that business concentration was to be feared and that the American way of life was at stake if small business was weakened had begun to lose its appeal by the end of the war. Small businessmen were still suspicious of economic concentration, but a growing fear and

⁶⁰ Congressional Record, 79 Cong., 2 sess., 92:6886-6887.

resentment toward government bureaucracy was beginning to assert itself even more strongly in the minds of some. The views of Senator Wherry brought this change into focus. While a further study of the economic situation at the end of World War II would undoubtedly clarify this issue, the fact that a greater number of people in the country were now dependent upon larger concerns for their security and livelihood perhaps meant that their power to inspire emnity had been reduced. Even smaller enterprises had become dependent upon the larger businesses in many ways, both as customers and suppliers.

The shift in thinking that this represented was tied neatly to the return of Republican pre-eminence in the Senate in 1946. When Wherry replaced Murray as Chairman of the Small Business Committee, a subtle change took place in the working of that group. While economic concentration was still investigated when specific situations warranted, as during the petroleum shortage of 1946-1947, the Committee seemed to become less interested in direct government intervention to rescue small concerns. Government aid had become suspect, and many small business spokesmen, now that prosperity was virtually assured, tended to oppose Federal intervention in the economy. Small business representatives created little newspaper or magazine

publicity following the war. While additional research beyond the scope of this thesis would be necessary to substantiate this conclusion, it is probable that most small businessmen were too busy enjoying the benefits of post-war prosperity to be overly concerned about the threat of monopolies and viewed government "red-tape" as more of a hinderance than a help.

CHAPTER IV

STATUS OF SMALL BUSINESS AFTER WORLD WAR II - A BALANCE SHEET ON THE SENATE SMALL BUSINESS COMMITTEE

In attempting to assess the position of American small business following World War II, it is first necessary to define small business. The difficulty in forming such a definition readily becomes apparent. Does one use employment figures, sales or production figures, or perhaps even percentage of total market calculations?

The confusion which has resulted from a multitude of definitions makes a statistical analysis of small business and its position before, during, and immediately following World War II virtually meaningless. Government figures are inconsistent while business figures are unavailable. The measurement of the actual impact of various government actions upon small business is, therefore, subjective, based primarily upon claims made by the Senate Small Business Committee as to its success in dealing with this problem.

These claims are suspect, too, for the Committee employed many possible definitions for small business at various times during its investigations. It even went so far as to consider Reynolds Aluminum "small" in comparison to the giant Alcoa even though its characteristics were very different from those of most small concerns.¹

The Committee was really interested in an expanded definition to include as many businesses as possible. Therefore, in the proposed Small Business Act of 1944, small business was considered to be:

Any enterprise for profit which, if engaged primarily in production or manufacturing, shall have employed 500 persons or less for the calendar year next preceeding. . . or

If primarily a wholesale establishment, whose net sales shall aggregate not more than a million dollars for such calendar year; or

If primarily in retail, amusement, service, or construction establishment, whose net sales or receipts for such calendar year shall aggregate not more than \$250,000.

Provided that [the business] shall not include any business concern which [is] a dominating unit in its trade or industry or otherwise under the management or control of such a dominating unit.

¹U.S. Senate, 79 Cong., 1 sess., Special Committee to Study Problems of American Small Business, Part 48, Future of Light Metals, Hearings (Washington: Government Printing Office, 1945), pp. 6133-6134.

In making such determination . . . the comparative size of establishments in the particular trade or industry [shall be considered].²

Under this definition, all but 0.12 percent of the business concerns in the country would have been categorized as "small." The Senate Small Business Committee would have allowed all but the 3,600 companies who were indisputably giants to be considered small by this classification.

Of course, numerically, small business was vastly superior to big business. Even by limiting the definition of small business to include those firms employing less than 250 workers, half the number of the Committee definition, ninety-five percent of all enterprises within the nation would be considered "small." However, when the percentages of employees are considered it is significant that this ninety-five percent of the nation's businesses employed less than fifty percent of all non-agricultural workers. Although there might have been more small businesses than large ones, their influence on the economy was steadily declining.³

In its hearings and in the legislative proposals which resulted, the Senate Small Business Committee attempted

²U.S. Senate, 78 Cong., 2 sess., Special Committee to Study Problems of American Small Business, Report 12, Part 4, Small Business Act of 1944 (Washington: Government Printing Office, 1944), p. 2.

³A.D.H. Kaplan, Small Business, Its Place and Problems (New York: McGraw-Hill, 1948), pp. 21-22.

to lump all of these enterprises into one category to which similar remedies could be applied. The basic impossibility of this attempt finally became apparent to the Committee as they considered the conflict of interest between, for example, the small tire dealer and the small rubber manufacturer or the small grocery store owner and the small livestock producer.⁴

Although the Committee continued to encourage the idea that small business was a cohesive special interest group like farmers or labor, the reality of the situation soon forced them to deal in specifics rather than generalities. This has been discussed previously, especially in the hearings on price controls, rationing, and reconversion needs. With the exception of the Federal Reports Act, very little proposed by the Committee could be considered of benefit to the entire small business community. Even the establishment of the Smaller War Plants Corporation pertained almost exclusively to small manufacturers and did little if anything to benefit small distributors or retailers who actually composed the bulk of the small business population and who suffered the most as a result of war (See Appendix I).

⁴U.S. Senate, 77 Cong., 2 sess., Special Committee to Study Problems of American Small Business, Report 479, Part 2, Recommendations on Effective Participation and Protection of American Small Business in the War. . . and After (Washington: Government Printing Office, 1942), pp. 19-23.

How effective, then, was the Senate Small Business Committee in helping independent small business survive the war? While the answer to this question is obviously highly subjective, it should first be made clear that small business did actually emerge from the war with a higher absolute prosperity than ever before although its percentage of the total product had declined.⁵

During the early war years, from 1941 to 1943, one-sixth of all businesses closed with smaller concerns bearing the greatest burden. This rise in the number of business deaths had numerous causes, among them the draft and the lure of high paying defense jobs. The Senate Small Business Committee had been quick to point out that while the government was spending vast sums of money to expand the productive capacity of the nation, large numbers of unused plants were being forced to shut their doors due to lack of manpower, materials, defense contracts, or credit.⁶

New business starts were also down for the period 1941-1943 for most of the same reasons that so many firms had closed their doors. New business entries for the first

⁵ Kaplan, Small Business, p. 51.

⁶ U.S. Senate, 79 Cong., 1 sess., Special Committee to Study Problems of American Small Business, Report 47, Part 1, Senate Small Business Committee - Its Record and Outlook (Washington: Government Printing Office, 1945), pp. 3-5.

three months of 1943 dropped to an all-time low. Manufacturers were the exception to this downward trend. New plants were built to fulfill war contracts to the extent that the number of manufacturing firms showed a net increase of nearly 15,000 between 1939 and 1943.⁷

Those small businesses which continued throughout the war suffered setbacks in comparison to large firms. Increased concentration became evident as early as 1943 when the same small firms which had employed 42.5 percent of the total business work force employed only 31.5 percent by 1943.⁸ Big business had definitely gotten bigger during the war.

After a bleak two years, business recovery became apparent by the end of 1943. By the spring of 1944 new businesses were being started twice as fast as businesses were discontinuing. A year after the end of the war, the business population had increased even more markedly and more than counteracted the decline which had taken place during 1941-1943. (See Appendix I).

The prosperity which war production had brought about was primarily responsible for this upturn, yet certain contributions had been made through the work of the Senate Small Business Committee. Even though big business had

⁷ Kaplan, Small Business, p. 45.

⁸ Ibid., p. 46.

dominated in the receiving of defense contracts, the efforts of the Committee and its brainchild, the Smaller War Plants Corporation, had placed over \$12,000,000,000 in contracts with small business. Not only did this provide additional funds to smaller concerns, but more significantly, it allowed them to go into many new areas of endeavor, particularly in the light metals and plastics fields.⁹

While the future for small manufacturers looked good at war's end, the possibilities for small concerns in the construction industry and in retailing were excellent. Service industries also had an exceptionally good prospect, especially since very little in the way of capital investment was required to begin. Additionally, the advancements made by business in the South and West during the war had been substantial.¹⁰

Even the benefits which had accrued to large businesses as a result of the war could be beneficial to smaller concerns since the high level of employment and prosperity they helped to create expanded the potential markets for small business as well. By turning to customized,

⁹ U.S. Senate, 79 Cong., 1 sess., Special Committee to Study Problems of American Small Business, Report 47, Part 1, Senate Small Business Committee - Its Record and Outlook (Washington: Government Printing Office, 1945), pp. 9-10.

¹⁰ Ibid., pp. 17-20.

individualized production of everything from apparel to home furnishings, the small concerns could only benefit from the increased standard of living even if they were unable to compete directly with their larger counterparts. Additionally, the new products which big business produced, from radios to lawnmowers, created the need for new service facilities and small entrepreneurs readily filled the gap.

Once it becomes clear that small business was not significantly hurt, and in many ways even helped by the war and post-war economy, the question of the Senate Small Business Committee's influence can again be approached. Senator Murray and most other members of the Committee had an acute fear of giant corporations, almost to the point that they were unable to grant that they served any useful purpose. Although this fear of big business had apparently diminished by war's end, by attempting to sanctify small enterprise, the Committee did serve as a brake upon the War Production Board and the military procurement agencies in their attempt to turn the war over entirely to the large concerns.¹¹

Through its hearings on the rationing orders of the OPA, the Committee also allowed smaller concerns to

¹¹In Report 47, Part 1, the Committee even commented that small business and big business could co-exist in harmony, p. 4.

receive some protection from government pronouncements which, no matter how necessary they might have seemed, still had the power to ruin thousands of independent retailers virtually overnight. By opening its hearings to representatives of many small concerns and through its field hearings conducted in various parts of the country, the Committee allowed specific problems to be presented. Then by calling forward the director of whatever government agency was concerned, the Committee was sometimes able to strike a compromise satisfactory to both parties. Of course, the very fact that government administrators might have to justify their decisions before the Committee must have at least made them consider more carefully the consequences their actions might have upon the small businesses of the nation. These benefits are intangible, but while they cannot be measured or accurately assessed, they were nonetheless significant to the continued existence and well-being of small business.

Another intangible benefit which resulted from the existence of the Committee was the sense of identity it served to give to small businessmen. Prior to the formation of the Senate Small Business Committee in 1940, hearings by the TNEC had first mentioned small business as a separate entity. This somewhat novel approach to the problems of the

economy was immediately fastened upon by Senator Murray in his move to establish the special Senate Committee to bolster small business support for the Roosevelt Administration.¹²

While there had been very little feeling of kinship between the small manufacturer and the small retailer or between the owner of the corner gas station and the owner of the papermill on the edge of town, in fact they had much in common. Problems of financing, taxation, and even of filling out government forms and applications were all similar as were difficulties they encountered in ordering scarce commodities and in dealing with price ceilings and rationing edicts brought on by the war economy. Previously, small businessmen had felt that they had more in common with members of their church, lodge, or even with representatives of large concerns within their own industry than they had with other small businessmen. In fact, prior to the formation of the Senate Small Business Committee, small businessmen's associations were almost non-existent.¹³

¹² It is interesting to note in this regard that "small business" was not even a separate topic in the Reader's Guide to Periodic Literature until after the formation of the Senate Small Business Committee, yet it has remained a separate listing since then.

¹³ The Small Business Men's Association was founded in 1937, just prior to the TNEC investigation; the National Federation of Independent Business, the largest of the small business organizations, was founded in 1943; and the

By attempting to create a constituency, the Senate Small Business Committee helped focus the idea of similarity of interests among at least some small businessmen.¹⁴ Furthermore, by attempting to treat them as a class, like labor or farmers, the Committee almost inadvertantly pointed out the complex interlocking characteristics of the economy. They thereby forced government planners to revise many of their more simplistic attempts at regulating the economy and served as a counterbalance to the demands of the other interest groups.

Although the Committee was influential in the reconversion period through its efforts to insure that small businesses received their fair share of government surpluses and allocations of scarce commodities, its prestige, while never high, was on the wane. The split between Wherry and Murray was at least partly responsible for this decline

Conference of American Small Business Organizations was founded in 1942. See Encyclopedia of Associations, Edition 9 (Detroit: Gale Research Company, 1975). The rise in small business awareness growing out of the Depression and war years merits further study.

¹⁴Retail stores formed cooperatives to buy government surpluses, for example. See New York Times, 20 September 1944; and Governor Thomas E. Dewey even attempted to rally this new interest group during the 1944 election. See New York Times, 1 November 1944.

since it can hardly be expected that a special committee which did not present a united front would wield much influence. An even more cogent reason for the inability of the Committee to inspire much interest was simply that small businesses, once the wartime emergency was over, were doing so well that they felt they had no need for a protector in Washington. When the situation had looked grim during the early war years, they had welcomed the intervention of the Committee in their behalf and in some cases even demanded it. By 1946, small concerns seemed almost universally convinced that they could go it alone. However, the new awareness that the Senate Small Business Committee had helped to inspire lingered on.¹⁵ It was additionally encouraged through the Office of Small Business in the Department of Commerce which had been formed to carry on some of the functions of the Smaller War Plants Corporation. Thus in 1953, when a downturn in the economy occurred, it was not surprising that the small business community once again became active and sought government assistance in their behalf, culminating in the creation of the Small Business Administration.

¹⁵Business Week, 31 May 1947, p. 15 discusses this change in small business thinking during the immediate postwar period.

¹⁶The creation of the Small Business Administration was tied to several circumstances, among them the

Small businessmen would never be as homogeneous a group as farmers or labor, but they would continue to see themselves as members of a new, distinct group. The counter-balance that this new status provided politically, likewise cannot be measured, yet it did exist. Politicians had to consider proposed legislation for its effects on yet another interest group, and although small businessmen continued to advocate independence, they learned the value of cooperation in establishing organizations to aid themselves not only in conducting their businesses, but in lobbying activities in Washington.

The Senate Small Business Committee did not act alone in dealing with the small business question. In addition to a House of Representatives Small Business Committee, both the Truman Committee to Investigate the National Defense Program and the Select House Committee Investigating National Defense Migration (Known as the Tolan Committee) were active in attempting to aid small businesses. A look into the activities of these committees

discontinuation of the Reconstruction Finance Corporation. This topic is beyond the scope of this thesis, but illustrates the fact that small business awareness did not completely die during the period of prosperity following the war. See Deane Carson, ed., The Vital Majority, Small Business in the American Economy (Washington: Government Printing Office, 1973), pp. 9-12.

would surely cast additional light upon the status of small business during World War II.

The resumption of anti-trust prosecutions after the war helped to insure that unlawful concentrations would not be encouraged at the expense of smaller competitors. In the case of United States vs. New York Great Atlantic and Pacific Tea Company (A & P), the U.S. Court of Appeals decided that even though the chain store was efficient and could sell its products for less than smaller businesses, its restraint upon the competition placed it in violation of the Sherman Anti-Trust Act. The Court had decided that the lower prices charged the consumer by A & P did not justify the harm which could result to the community if independent grocers were forced to close their doors.

The danger of the growth of chain stores was that they tended, as in the A & P case, to become their own producers and distributors as well as retailers. If they were also the supplier to their competition, as in the A & P case, and on less favorable terms than to their own outlets, the small competitor could easily be denied the opportunity to compete freely on the merit of his own product and service. While the Court specifically stated that bigness was no crime as long as it did not destroy

fair competition, the decision helped to insure that larger concerns could not blacklist smaller ones or give preferential treatment to their own subsidiaries.¹⁷

Although the resumption of anti-trust investigations allayed some of Senator Murray's worst fears, no attempts at trust-busting were staged at the end of the war. Big business had become a way of life in the United States and it continued to employ even greater numbers of workers and exert its influence upon the nation in countless ways (See Appendix II). Before the Depression, the existence of big business was also pervasive within the economy; the difference was that then it had been considered the exception; everything that was not "big business" was simply "business." Somehow, either during the Depression or as the nation geared up for war production, a subtle shift in thinking occurred. Suddenly big business became not so much the exception as the norm and "small business" came into existence. From 1940 onward, there were "business" and "small business" differentiations. Smaller concerns, while still numerically superior, were now the distinct minority in numbers of individuals employed, and their proportionate share of the market had also declined. Governmental emphasis

¹⁷U.S. vs. New York Great Atlantic and Pacific Tea Company, 67F. Supp. 626 (1946) and 173F. 2d 79 (1949).

had shifted from attempts to curtail the growth of major concerns to efforts to aid smaller enterprises through educational, financial, and various other subsidies so that they could continue to co-exist with the giant corporations of the nation. The Senate Small Business Committee, through its hearings and investigations, illustrated this change. This change in thinking about big business versus small business was never spelled out by the Committee, yet it indicated the way in which the country had grown as a result of the wartime economy.

Many changes had taken place in American society by the end of the Second World War. No longer would issues be as easily classified as either black or white. Murray's old-fashioned liberalism was as out of place in the post-war environment as Wherry's conservatism. Murray had failed to adequately adapt to changes in thinking which foreshadowed the "military-industrial complex" mentality of the 1950's and 1960's, while Wherry's conservative fear of big government provided no viable alternative in the sophisticated technological society which was emerging. Both men looked nostalgically to the less complicated past when it had seemed quite possible for an ambitious individual with courage and hard work to become an "Horatio Alger." They both tried, in different ways, to keep this opportunity

alive. Yet, post-Depression and post-war Americans had become more interested in security and comfort; most saw the possibility of becoming independently wealthy as a mere dream.

Small businessmen and the larger corporations were concerned with a rational, ordered economy so that all could share in the "good life." Previous attempts at providing order had proved only partially successful, perhaps because there had been no simple solutions to the complexities of an America in the twentieth century. The Senate Small Business Committee did nothing to clarify the problem. It had not even been able to give a truly convincing argument for the continued existence of small business despite the gut-feelings they shared that somehow it was important and good. Just as the agrarian ideal had been pervasive throughout earlier periods of American history, the small business man symbolized the America of the early twentieth century. But just as farmers had been relegated to a secondary position by increased industrialization, so the small business man became less dominant in the emerging corporate state.

As the formation of a Senate Small Business Committee reflected, small business had been put on the defensive. The hearings and investigations conducted by the Committee

only reinforced this contention. Big business did not need to justify its place in defense production as small business did; big business could virtually take care of itself during reconversion, but smaller concerns needed help of all kinds. That small business did survive the war and even prospered in the post-war environment cannot obscure the fact that the economy had made a momentous shift toward concentration, and most importantly, this concentration had become an accepted way of life to most Americans. Large concerns could provide more job security and greater fringe benefits than could most small businesses. The government might continue to encourage small concerns, but it would not be allowed to do so at the expense of their larger competitors. Small business might indeed be sacred as Senator Murray often insisted, but big business was profitable, and therefore, more valuable than any marginal small concern could ever be, no matter how holy.

APPENDIX I

NUMBER OF FIRMS IN OPERATION AND RATES OF CHANGE¹

	Number of firms, thousands					Average annual rate of change, per cent			
	Sept., 1941	Dec., 1943	Dec., 1945	June, 1946	Dec., 1946	Sept., 1941- Dec., 1943	Dec., 1943- Dec., 1945	Dec., 1945- June, 1946	June, 1946- Dec., 1946
Total, all industries	3,398.0	2,835.6	3,224.1	3,494.7	3,644.6	-7.7	+6.6	+17.5	+8.7
Mining and quarrying	23.4	26.0	26.3	27.2	28.0	+4.8	+6	+7.0	+6.0
Contract construction	243.8	147.1	189.2	232.2	247.9	-20.1	+13.5	+50.6	+14.0
Manufacturing	225.8	227.6	262.5	287.8	307.8	+4	+7.4	+20.2	+14.4
Transportation, communication, and other public utilities	209.2	187.9	206.1	216.8	222.6	-4.7	+4.7	+10.7	+5.3
Wholesale trade	146.2	114.0	143.2	160.1	169.0	-10.5	+12.1	+25.2	+11.4
Retail trade	1,620.8	1,318.0	1,493.5	1,614.5	1,674.1	-8.8	+6.5	+16.9	+7.5
Finance, insurance and real estate	285.0	267.5	286.0	294.8	298.5	-2.8	+3.4	+6.2	+2.5
Service industries	643.8	547.5	617.3	661.2	696.6	-7.0	+6.2	+14.7	+11.0

¹ Source: Survey of Current Business, July 1947, p. 16.

APPENDIX II

1919

NUMBER OF FIRMS BY EMPLOYEE TOTALS IN MANUFACTURING¹

	<u>Total</u>	<u>1-5</u>	<u>6-20</u>	<u>21-50</u>	<u>51-100</u>
# of estab.	290,105	141,742	56,208	25,379	12,405
# of workers	9,096,372	311,576	631,290	829,301	888,344
	<u>101-250</u>	<u>251-500</u>	<u>500-1000</u>	<u>Over 1000</u>	
# of estab.	10,068	3,599	1,749	1,021	
# of workers	1,581,768	1,250,875	1,205,627	2,397,596	

¹ Abstract of the Fourteenth Census of the U.S., Department of Commerce (Washington: Government Printing Office), 1923, pp. 986-987.

1949

NUMBER OF FIRMS BY EMPLOYEE TOTALS IN MANUFACTURING²

	<u>Total</u>	<u>1-9</u>	<u>10-49</u>	<u>50-99</u>
# of estab.	240,881	117,005	80,662	18,672
# of workers	14,294,304	471,887	1,805,842	1,300,719
	<u>100-499</u>	<u>500-999</u>	<u>Over 1000</u>	
# of estab.	19,878	2,729	1,935	
# of workers	4,160,981	1,883,464	4,671,411	

² U.S. Bureau of the Census, Statistical Abstract of the United States; 1949, seventieth edition (Washington: Government Printing Office), 1949, p. 929.

BIBLIOGRAPHY

BOOKS

Carson, Deane, ed. The Vital Majority: Small Business in The American Economy. Washington: Government Printing Office, 1973.

Gallup, George H., Dr. The Gallup Poll: Public Opinion, 1935-1971. Vol. I. New York: Random House, 1972.

Kaplan, A.D.H. Small Business: Its Place and Problems. New York: McGraw-Hill, 1948.

Nash, Gerald D. The American West in the Twentieth Century: A Short History of an Urban Oasis. Englewood Cliffs, New Jersey: Prentice Hall, 1973.

Young, Roland. Congressional Politics in the Second World War. New York: Columbia University Press, 1956.

GOVERNMENT SOURCES

U.S. Congress. Congressional Record. 76 Cong., 3 sess., through 79 Cong., 2 sess., Vol. 86-92, 1940-1946. Numerous references preclude separate listing.

U.S. Congress. Senate. Special Committee to Study Problems of American Small Business. Hearings. Part 1-97, 77 Cong., 1 sess., through 79 Cong., 2 sess., 1942-1946.

These hearings comprised the bulk of the research for the thesis. They were on various topics and totaled 10,976 pages.

Monograph 7: Small Business Problems: Research and Education, 77 Cong., 1 sess., 1941.

- _____. Monograph 13: Small Retailers Face the War,
77 Cong., 2 sess., 1942.
- _____. Print 12, Part 5: Preparing Small Business for
Post War, 78 Cong., 2 sess., 1944.
- _____. Print 12, Part 6: Commercial Rent Control, 78
Cong., 2 sess., 1944.
- _____. Print 12, Part 7: Progress Under the Federal
Reports Act, 78 Cong., 2 sess., 1944.
- _____. Report 479, Part 1: A Report on the Federal
Reports Act of 1941, 77 Cong., 1 sess., 1941.
- _____. Report 479, Part 2: Recommendations on Effective
Participation and Protection of American Small Business
in the War Effort and On Its Preservation and Extension
in the American Economy After the War, 77 Cong., 2
sess., 1942.
- _____. Report 479, Part 3: Recommendations for the
Relief of Dealers in Rationed Commodities, 77 Cong.,
2 sess., 1942.
- _____. Report 479, Part 4: Recommendations for the
Effective Utilization of Existing Stocks of Rubber
Tires, 77 Cong., 2 sess., 1942.
- _____. Report 12, Part 1: Report to Congress on the
Work of the Committee, 78 Cong., 1 sess., 1943.
- _____. Report 12, Part 2: Small Business in War and
Essential Civilian Production, 78 Cong., 1 sess., 1943.
- _____. Report 12, Part 3: Poultry Market, 78 Cong.,
1 sess., 1943.
- _____. Report 12, Part 4: Small Business Act of 1944,
78 Cong., 2 sess., 1944.
- _____. Report 47, Part 1: Senate Small Business
Committee - Its Records and Outlook, 79 Cong., 1
sess., 1945.
- _____. Report 47, Part 2: Two Years of Progress Under
the Federal Reports Act, 79 Cong., 1 sess., 1945.

_____. Report 47, Part 3: Impact of Reconversion Policies on Small Business, 79 Cong., 1 sess., 1945.

_____. Report 47, Part 4: Small Business Price Problems and Government Stabilization Policies, 79 Cong., 2 sess., 1946.

U.S. Congress. Senate. Temporary National Economic Committee, Part 1: Economic Prologue, 75 Cong., 3 sess., 1938.

_____. Description of Hearings and Monographs, 76 Cong., 3 sess., 1941.

_____. Monograph 17: Problems of Small Business, 76 Cong., 3 sess., 1941.

U.S. Department of Commerce. Bureau of the Census. Abstract of the Fourteenth Census of the United States, 1923.

_____. Statistical Abstract of the United States, 1949.

_____. Survey of Current Business, 1940-1947.

PERIODICALS

Dalstrom, Harl A. "Remote Bigness as a Theme in Nebraska Politics: The Case of Kenneth S. Wherry," North Dakota Quarterly, Summer 1970, pp. 23-32.

Business Week, 1942-1947.

Commercial and Financial Chronicle, 1942.

Jenkins, W.R. "Before Starting Your Own Business: Advice to Returning Servicemen," Reader's Digest, May 1945, pp. 89-92.

Maverick, Maury. "Opportunities for Veterans: What Small Business Offers and How Returned Servicemen Can Get Into It," New York Times Magazine, 30 September 1945, p. 12+.

Newsweek, 1938-1942.

New York Times, 1940-1946; 24 March 1961.

Spritzer, Donald E. "Senators in Conflict," Montana Magazine of Western History, April 1973, pp. 16-33.

The Nation, 1938.

The New Republic, 1942.

Wall Street Journal, 1940-1946.

Woolf, J.D. "If I Were Starting a Small Business," Reader's Digest, July 1945, pp. 98-100.

UNPUBLISHED MATERIALS

Dalstrom, Harl A. "Kenneth S. Wherry." Ph.D. Dissertation, University of Nebraska, 1965.

Lincoln, Nebraska. Nebraska State Historical Society, Kenneth S. Wherry Papers.