Speech of John E. Fogarty, M.C. at Hearing held by
Select Committee on Small Business of House of Representatives
Biltmore Hotel Foyer, Tuesday, April 24, 1951

Mr. Chairman. I am pleased to have this opportunity to appear before your distinguished Committee and I assure you that we, mr R.I., appreciate the interest you are showing in our problems. These problems are of serious proportions to us and we feel that the fate of hundreds of our small establishments depends on the finding of solutions to them.

Here in Rhode Island the situation is particularly acute. We are by nature an area of small business and I know, from personal knowledge and by representations made directly to me by many small operators, just how serious the matter is. During the course of this hearing I am sure that you will be given pertinent and alarming testimony to that effect. While Rhode Island is the smallest State in the nation we have considerable industrial and other potential which we want to see utilized in the defense effort. To date I don't believe that it is being so used.

Our present defense mobilization program is based in law on the Defense Production Act of 1950. The objectives of that Act are to develop and maintain whatever military and economic strength is necessary to oppose aggression and to promote peace in the world. Section 701(a) of the Act states, "It is the sense of the Congress that small business enterprises be encouraged to make the greatest possible contribution toward achieving the objectives of this Act".

As a practical matter, from my personal observations, the sense of the Congress in this regard has not been followed out in our present mobilization program. On the contrary samll business has been caught in an economic squeeze through its inability to secure a fair share of government contracts and through the restrictions

placed on it in the procurement of scarce materials. As a result the great industrial potential of small business whose broad base should certainly be the rock on which our mobilization program is built is fast being dissipated. Many firms have been forced to close their doors and others are losing their skilled employees to the larger concerns which are receiving the bulk of government contracts. This fact is borne out by a casual survey of the help-wanted ads running in our newspapers wherein it is noted that the larger companies are soliciting employees - skilled craftsmen - from many of the smaller plants. A firm whose markets are being dried up and whose employees are drifting away cannot long survive. Should such circumstances continue, we shall soon find ourselves in the same position we were in back in 1942 and 1943 when almost twenty percentof samll business was forced out of existence.

I well realize the reasoning behind and the necessity for the disproportionate use of the larger enterprises in mobilizing our economy. But to my way of thinking such action is taking the easy way out. One of the principles for which we are now fighting is the preservation of our way of life which includes the free enterprise system. I think that most of us will agree that to keep private competitive enterprise we must preserve small business. We must avoid a long run trend toward even greater concentration of economic power than we now know. Would it not be a travesty if, in girding ourselves for the defense of our principles, we should weaken one of those basic principles on which this country has grown so great.

The easy way of organizing industrial mobilization so that it depends chiefly on the larger enterprise is not, to my mind, the efficient way of getting full production. The small companies are a

very important part of our national economy. Their output is a vital part of our national strength. Samll business must be given an equal opportunity to produce if America is to develop her full power.

There are two principal areas in which the government can give actual, effective and immediate help to small business concerns. One is to lighten the burden of government on those businesses by the easing of material restrictions, and the other is to provide for small business a larger share in defense contracts. There are other fields in which the government can be of great help such as in loans, tax relief, and expansion or conversion assistance, but I suggest to this Committee that the greatest of our present problems are the two phases of materials and contracts. I'm sure that more will be heard on these points from the various witnesses and I hope that the Committee can find some way to give small business adequate relief on both.

Certain steps have already been taken to correct this apparent inequity. In the rush to meet defense requirements, the National Production Authority issued many control orders that were too severe. The theory was that it was better to have toomuch than too little. As military requirements were more clearly established, some of these original orders were rectified. I understand that NPA is now contemplating amending the order in regard to aluminum. This would permit, for example, the manufacturer of aluminum blinds or storm windows to continue producing. Of course restrictions would be put on the amount of aluminum which he could so use but the important point is that he could continue to operate. Again, the NPA order requiring steel producers to provide steel warehouses with a normal tonnage, reduced

only by defense orders, is a major step to provide a source of supply so that smaller manufacturers can continue to provide civilian goods. The Controlled Materials Plan, when it goes into effect on July 1st, will also place the small producer of essential items in a much better position.

Some advance is seen in the distribution of governemtn contracts to small business. I am advised that the Army, Navy and Air Force are now working to break their purchases down into small lots. Small business has a much better chance of securing contracts when the invitations to bid call for smaller amounts. Proposed purchases are being given much wider publicity and negotiated contracts are not being executed to their former degree.

The Select Committee on Small Business which is conducting today's hearing has performed an exceptional service to the small business operators of the country. The Committee has been continuously in the forefront of the fight to seucre recognition of the rights and the resources of the small manufacturer. Through its efforts certain and definite advances have been made in the various procurement policies. For these efforts we are truly grateful but much still remains to be done. Under present law, no one has any real authority to give small business an equal opportunity to compete for defense contracts or to obtain scarce materials. This situation will not be corrected until new legislation is passed.

I understand that the Small Business Committees of the House and the Senate have sponsored and introduced a bill which would, if passed, reduce to law many of those things which we feel would be of great help to the smaller producers. This bill, the Small Defense Plants Act of 1951, provides, according to its sponsors, that small business be assisted:

To secure a fair share of government contracts under the national defense program;

To secure a fair share of scarce materials for essential civilian production;

To be assured fair and equitable treatment when acting as subcontractors;

To obtain loans for expansion and conversion in the interests of national defense; and

To achieve full economic and industrial mobilization.

I believe that this bill would be of inestimable aid to our Rhode Island concerns and I assure this Committee that I shall certainly support it and do everything I can to secure its passage. In my opinion passage of this bill would do much to save small business from extinction and at the same time aid the defense effort immeasurably.

In closing may I thak the Committee once more for its interest in our problems. Through your efforts we hope that small business in Rhode Island is brought CLOSER TO THE mobilization program through the utilization of all its facilities. We in Rhode Island believe that small business is the root of the American free enterprise system. It is the hope of our economic way of life and whatever is done to strengthen and preserve it is a direct contribution to the preservation of our country. It is our plea that the emergency will in no way impair the operation of that free enterprise system and the element which essentially symbolizes its existence - the independent small businessman.