

Small Business Faces Disaster

ONE GOVERNMENT PROBLEM arising from the shift to war-time production is the fate of small industries. To try to solve it, a Division of Contract Distribution, with a successful business executive as its directing genius, has been established.

Army and Navy men lean to the theory that greater efficiency and reliability in executing contracts will be found with big plants; that any subdivision of the work (and profits) with small, specialized shops must be left to the judgment of the larger responsible units.

It seems that thus far the little fellows are getting very little from this arrangement, that their existence is threatened (because priorities have curtailed their civilian business); that the arms production program is retarded because of this failure to use the scattered productive capacity of the country, that the consequent laying off of help by the little plants is causing social unrest and affecting war morale.

Proponents of a sub-contracting system argue for it not only on the ground of social necessity, but also from the viewpoint of speeding up war production. On the first contention there can be no question; the unemployed are always disgruntled.

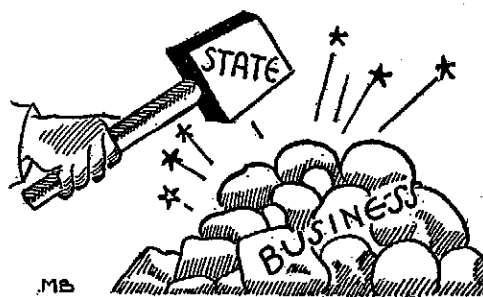
The small business unit is but another form of the subdivision of labor which makes for greater total productivity. Whenever a desire expresses itself in the market some entrepreneur will find it profitable to satisfy that desire. The large enterprise lacks the flexibility necessary to meet every whim of a public seeking novel gratifications; it cannot rearrange its plans whenever a new gadget or a new style is demanded.

The little fellow, with less fixed capital, is in a position to take the risk, and, because of higher unit profits, is anxious to do so. When the novelty gives promise of becoming a market staple, large capital takes it over, and the greater production makes lower unit prices possible. The little fellow is wiped out or becomes big; other little fellows then take up the cudgels for a public with variable desires.

The history of advancing civilization (that is, the gratifying of more and more human desires) is the record of little ones growing into big ones, to be replaced by more little ones. It is the saga of the emergence of the horseless carriage into General Motors, the nickelodeon into Hollywood, the ear-phone radio into the giant broadcasting systems, the peddler into the department store.

The big ones, however, recognizing their inability to adjust themselves to the vagaries of human desire, and fearing the competition of enterprising and flexible little ones, seek to safeguard their profitable position by making it difficult for little ones to come into existence or to flourish.

The approved technique is to get a special privilege from government. Ownership of natural resources is the best privilege of all; a patent monopoly, a tariff, a license or an excessive tax which handicaps small capital, all man-made laws, help to keep the little ones from taking too much business from big ones.



In an informative and, at times, interesting book, "Big Business, Efficiency and Fascism," Kemper Simpson, an economist connected with the late Temporary National Economic Committee, points out that the inefficiency of large concentrations of capital is overcome by their monopoly position and that they thrive only by curtailing competition. Particularly interesting are his comments on the social effects of this policy, as exemplified in Germany and Italy. Mr. Simpson unfortunately does not specify the source of monopoly, or what part privilege plays in it.

However, production for war is not production for the market place. Human desires do not give it direction. The pattern, determined on the battlefield, is ascertained by experts who translate it into blueprints, and only the enemy's contrary ingenuity or geographical advantage can alter the course of such production. The very purpose of war lends itself only to large-scale, totalitarian production.

In such a scheme the small fellow simply has no place; desires having been limited, his function as a specialized servicer is ended, and he must find his place in the new economy as a directed laborer. If his capital is adjustable it can be absorbed in the giant industry that war is; if not, it becomes junk.