

same line production (1954 Int. Rev. Code, par. 1212). There is a question, however, whether and under what circumstances the firm can carry its loss over to offset profits made in the new line of production.¹⁹ In order to encourage firms to get into other lines of production, a trade adjustment program should include tax legislation permitting a firm injured by trade concession to carry forward losses sustained while in the protected industry, in addition to the provision for new equipment discussed earlier in this section.

Loans by the Small Business Administration

Small business-type loans as a method of financing readjustment have been an often mentioned device.²⁰

The Small Business Administration was set up in 1953, partly to take the place of the Small Defense Plant Administration, and partly to assume certain programs of the Reconstruction Finance Corporation.²¹ According to section 202 of Public Law 163 of July 30, 1953—

*** the Government should aid, counsel, assist, and protect *** the interests of small business concerns in order to preserve free competition enterprise, to insure that a fair proportion of the total purchases and contracts for supplies and services for the Government be placed with small-business enterprises, and to maintain and strengthen the overall economy of the Nation.

Lending is only one of the major activities of SBA. Two other important programs are procurement assistance to small businesses to obtain a fair share of orders for goods and services by both public and private buyers, and management and technical assistance with a view toward making small business take advantage of improved business or production methods.²²

Participation of SBA in a readjustment assistance program would call for supplementary legislation which may not be germane to the purpose for which SBA was originally set up, for it is not always the small concern that can claim injury or threat of injury from a lowering of tariffs. Furthermore, the use of SBA in a program of readaptation to increased imports would increase the volume of small business loans. But this type of assisted readjustment is not aimed primarily at making small business thrive for the sake of counteracting monopolistic tendencies in the economy. Rather, it aims to eliminate marginal producers in a given industry or industries who are retarding the economy's progress toward the more efficient utilization of the country's resources, that would be attainable with a higher degree of international specialization resulting from freer trade. This objective transcends the accustomed purview of the SBA.

Still another reason against SBA becoming involved in financing the import readjustment program is the agency's apparent orientation toward promoting the growth of small enterprises over periods as

¹⁹ This problem is particularly serious for the corporation which attempts to get into a new line of production by consolidating with another corporation. 1954 Internal Revenue Code, pars. 381, 382.

²⁰ 15 U.S.C.A., par. 631, sg.

²¹ See Commission on Organization of the Executive Branch (Hoover Commission), "Task Force Report on Lending Agencies" (Washington, D.C., 1955), pp. 70-76, and 221-235. See also, Hoover Commission, "Lending Agencies, A Report to Congress" (Washington, D.C., 1955), pp. 89-92.

²² The "small business" eligible for SBA is defined by law only as an enterprise independently owned and operated and not dominating in its own field. In defining "small," SBA is authorized to use such standards as number of employees and dollar volume of business. It draws no rigid line on these points, since a 1,000-employee company may be big in golf carts but small in steel. The bulk of its loans, however, has been awarded to firms employing less than 100 workers.