

long as 10 years, or even longer if required. But an adjustment assistance program, to be effective, must emphasize rapid readaptation. The length of the adjustment or transition period in which assistance will be needed, will, of course, depend on the rate at which Federal foreign trade policy will allow imports to increase over time. However, business firms should not be allowed to set their own pace in readapting, and not take advantage of public assistance longer than conditions call for.

There exists, however, another area in a readjustment program to increased imports where the Small Business Administration could step in without going counter to its general orientation. That part of the program includes cases where outright liquidation rather than adaptation of an enterprise would be advisable in the national interest. This contingency may arise for units in certain handicraft or exceedingly labor-intensive industries. In a healthy economy exposed to a gradual trade liberalization the number of concerns that would fall into this category would be fairly small. With a view to preserving at least a semblance of financial respectability, it would not be advisable, in a statutory readjustment program, to authorize outright grants or indemnities for nonproductive purposes. Therefore, liquidation loans on exceptionally easy terms, patterned upon the flood and disaster loan provisions of the Small Business Act,²³ would constitute a valuable adjunct to an import adjustment program.

The theoretical objections to using the Small Business Administration as an instrument in a readjustment program other than for handling liquidation loans have been stated. Before considering practical objections, it would be normally expected that alternative arrangements be explored. In this particular case, however, this exploration will prove to be short and unsuccessful for this reason. In theory a number of important considerations can be brought forward in favor of making the Export-Import Bank the agent for readaptation assistance loans.²⁴ In practical terms, however, the weight of informed opinion appears to lean heavily against placing the primarily domestic function of governmental assistance to increased competitive imports with an agency exclusively concerned with overseas operations. The Small Business Administration, therefore, would appear to be best suited for administering loans under an adjustment assistance program.

OUTLINE OF A TRADE ADJUSTMENT PROGRAM

Federal aid to overcome the effects of increased import competition would best be focused on the individual business enterprise, the economic unit most exposed to any adverse effect from increased competition. For broader types of assistance the Federal Government can be relied on to backstop State and local adjustment measures in the course of performing its ordinary functions designed to further the public welfare.²⁵

²³ 15 U.S.C.A., par. 636(b). See also Hoover Commission, "Task Force Report on Lending Agencies," pp. 233-234.

²⁴ See my "Lower Tariffs Without Pain," Michigan State Business Topics, May 1956, p. 19.

²⁵ Area Redevelopment Act of 1961, Public Law 87-27 (May 1, 1961).