

Furthermore respondents during 1966 First Quarter reported having spent an average \$23,000 on each expansion-modernization. This compares with a \$20,000 average reported last year for the preceding 12-month period, and with an average \$17,100 reported in 1965 First Quarter to last year's survey. How much, if any, of this difference is due to price firming or price increases was not asked, and is not known.

But even here, the promising surface masks other deep running currents—for small businesses obviously have shared very unevenly in the nation's economic upsurge. For instance, while almost 70 percent of those who reported having expanded or modernized indicated they were enjoying higher business volume than one year earlier, the same report was made by only 40 percent of the much larger proportion which failed to report modernizations or expansions. While it is not contended that in a free competitive economy all business units may be expected to be moving upward, failure of such a large segment of the small business community to generate additional volume to compensate for rising costs or slimming profit margins raises another cautionary signal.

Indications are that almost all of the firms reporting expansions or modernizations purchased new equipment during the preceding year, that over half of them invested in construction of new plant or remodeling of older structures, and that over half increased their investments in inventories and accounts receivable.

Generally, respondents who reported expansions or modernizations indicated less ability to generate funds needed out of earnings, and greater reliance on outside sources (including the Small Business Administration) for capital required than was the case with respondents who did not expand or modernize. This fact, plus the higher rate of inventory and accounts receivable increase, undoubtedly explains their heavier preference—academic as it may be from the standpoint of immediate action—for future congressional enactment of a plow-back allowance.

In answer to the question whether trained labor is available in case additional employees are needed, a little over one-quarter of all respondents answer in the affirmative, but well over half in the negative. In answer to the further question whether they could and would take unskilled people into their operations and train them for vacant positions, from one-half to three-quarters of respondents replied "Yes," while just about one in five responded in the negative.

In summation, the results of the 1966 First Quarter responses lend but further strength to conclusions reached on basis of the Federation's 1965 Survey: that small business is a segment of our economy with tremendous vitality, critically important to the economic strength of our country, and therefore deeply deserving of close, constructive attention and action on the part of all in Government. This is particularly true today because as always it is good "to prepare for peace in time of war." While all effort today is to keep the economy from boiling over, the day is bound to come when, as was the case as recently as 1964, efforts will be directed to heating it up. It is against such day that recommendations for action to maintain the 7 percent Investment Incentive, and to supplement it with a plow-back enactment, as well as in the fields of wage minima, social taxation, antitrust enforcement are directed.