

accord with the Small Business Act, as well as the Economic Opportunity Act, and one of the keys to the success of the programs themselves. Accordingly, we are actively engaged in a review of our programs and procedures to insure full coordination with these major national efforts.

While this has brought about some new departures in programs and operations, I believe it to be fully in harmony with the declaration of this committee, issued more than a year ago, that:

* * * the building and strengthening of our small business community is as effective as any course of action in the economic development of our cities, small towns, and rural areas * * *.

STATUS AND PROSPECTS OF SMALL BUSINESS

The year 1967 was the seventh year of uninterrupted expansion of the U.S. economy—the longest period of sustained growth in the Nation's history. The prospects for continued growth at a sustained high rate are very bright.

The general health of the economy is reflected in the vigor and persistent growth of the small business community. Over the past decade, the total business population has increased by approximately 700,000 firms. Virtually all of this represents a net increase in the small business segment.

Small business accounts for over 50 percent of the total employment by all business concerns and approximately 30 percent of total capital outlays for plant, equipment, and business inventories. Despite mergers, the competitive pressures of large concerns, and marketing problems, it remains very much alive.

Experience over the recent past indicates that small business will continue to grow at least in pace with the general economy.

As a rule, small firms tend to gain more than proportionately in periods of business expansion; conversely, they tend to suffer disproportionately in periods of contraction.

In addition, there are certain favorable indications which point to realistic opportunities to improve the relative position of small business in a progressively expanding economy:

Higher individual and family incomes will increase demands for more personalized, custom-type goods and services which often are produced most efficiently by small firms.

Growing mass markets—which stimulate the growth of large firms for certain functions—create new opportunities for specialized small firms in other parts of the production and distribution process, as has been the experience in the automotive industry.

The drift of technology and growing diversification of the mass market tend, in general, to favor smaller units.

Long-term growth prospects are most favorable for trade and service industries, in both of which small concerns predominate.

The progressively higher level of education of the general population should generate an increasing supply of entrepreneurs more capable of coping with the challenges of the modern urbanized economy than their counterparts in the present and earlier generations.

Government expenditures for goods and services have been rising dramatically since 1960. In 1966, the National Planning Association projected these expenditures to rise from \$100 billion in 1960 to \$287