NATIONAL FEDERATION OF INDEPENDENT BUSINESS

By C. Wilson Harder, President

Our comment will be based on information secured from the federation's annual economic surveys of its members in all 50 States, who number now almost one quarter of a million independents. It will be limited to points critical to the successful financial operations of small business.

We believe that small business, being the relatively more marginal sector of our business structure, provides general lead indicators of economic contraction and lag, but solidly confirmatory, indicators of economic expansion. This theory has been borne out, in part at least, by experience during the past several years.

For instance, survey responses through 1964 to mid-1966 provided indicators suggesting strong economic expansion. As we wrote to your committee about this same time last year, however, about 1966, second quarter, these indicators commenced suggesting a cresting out of the rise. Later on in 1966, they showed definite signs of economic contraction, followed by a precipitous drop exiting 1966 and entering 1967. Through 1967 the indicators drifted sidewise, bumping up and down as against a ceiling.

Entering 1968, however, the response—January sample—provides mixed indicators.

On the one hand, there is tentative suggestion on the part of three indicators—inventories higher than 1 year earlier, purchased equipment during the past year, and receivables higher than 1 year earlier—of a renewal of the expansionary trend, with two of these three up sharply from December 1967, levels. There is improvement in a fourth indicator—that dealing with job formation.

On the other hand, there is continuing evidence of the mounting cost squeeze reported through the past year. While 81 percent of January respondents reported cost of goods higher than 1 year earlier, and 78 percent reported labor costs higher, only 59 percent reported selling prices higher than 1 year earlier. At the same time, interest rates continued at the high 6.7 percent average characteristic of 1967. And the proportion of respondents reporting collections slower than 1 year earlier stood at 34 percent, equal to the highest proportion of respondents reporting difficulties with collections during the latter part of 1966. Against all this, over half of these respondents reported their business dollar volume the same as or lower than 1 year earlier—a figure less favorable than in 1966, first quarter. Indicated spending on plan and equipment continued falling.

Consideration of these factors, plus recognition of the additional burdens placed on smaller business by social security tax increases, and State and local tax increases, leads the federation to question the Council's position that "the economy is in a strong position to move