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# Sa 4 NOMINATION OF HOWARD J. SAMUELS

GOVERNMENT

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## HEARING BEFORE THE COMMITTEE ON BANKING AND CURRENCY UNITED STATES SENATE

NINETIETH CONGRESS

SECOND SESSION

ON

THE NOMINATION OF HOWARD J. SAMUELS TO BE  
ADMINISTRATOR OF THE SMALL BUSINESS  
ADMINISTRATION

JULY 16, 1968

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BEFORE THE  
COMMITTEE ON BANKING AND CURRENCY  
UNITED STATES SENATE  
COMMITTEE ON BANKING AND CURRENCY

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(II)



## NOMINATION OF HOWARD J. SAMUELS

TUESDAY, JULY 16, 1968

U.S. SENATE,  
COMMITTEE ON BANKING AND CURRENCY,  
Washington, D.C.

The committee met at 9:30 a.m. in room 5302, New Senate Office Building, Senator John Sparkman, presiding.

Present: Senators Sparkman, Proxmire, McGee, Bennett, and Percy. The CHAIRMAN. The committee will come to order, please.

Today the Senate Banking and Currency Committee is holding a public hearing on the nomination of Howard J. Samuels of New York for Administrator of the Small Business Administration.

Mr. Samuels has been serving as Under Secretary of Commerce since November 30, 1967. Mr. Samuels will succeed Mr. Robert C. Moot, who has served very ably as the Small Business Administrator since July of last year. We all regret to see Mr. Moot leave this important post, but I am sure he will do an equally fine job in his new position as Comptroller of the Defense Department.

Mr. Samuels is a highly qualified businessman who has done an outstanding job as Under Secretary of Commerce. I think he will prove to be an outstanding Administrator of the Small Business Administration.

We have a biographical sketch of Mr. Samuels, and without objection I would like to submit that for the record.

(Biographical sketch of Howard J. Samuels and an excerpt from the Small Business Act follow:)

### BIOGRAPHICAL SKETCH OF HOWARD J. SAMUELS

*Born:* December 3, 1919 in Rochester, N. Y., son of the late Bertha and Harry L. Samuels.

*Family:* Married February 22, 1942 to the former Barbara J. Christie, of Hempstead, Long Island; eight children—William Christie (Feb. 10, 1943); Susan Carey (Apr. 5, 1946); Catherine Christie (May 20, 1947); Victoria (Nov. 7, 1949); Howard Christie II (Mar. 29, 1952); Barbara Christie (Aug. 19, 1954); and twins, Jacqueline and Janine (Mar. 12 1960).

*Residence:* Washington, D.C.

*Education:* Rochester, N. Y., public schools; Massachusetts Institute of Technology, Bachelor of Science degree in Business and Engineering Administration, June 1941.

*Military:* Entered U.S. Army August 1941; graduated from Officer Candidate School in December 1941; transferred to England in spring of 1943; landed on Omaha Beach on "D" Day plus 20; attained rank of lieutenant colonel (at age of 25), and cited as an outstanding officer on the staff of General George S. Patton, Commander, Third Army in Europe; honorably discharged December 1945.

*Business:* Founded the Kordite Corporation in 1946 in an abandoned schoolhouse, which was rented for \$35 per month. The basis for this business was his M.I.T. thesis. This initial investment, which was a joint effort with his brother, Richard M. Samuels, is now part of Mobil Chemical Company's Plastics Division, employing over 3,000 people. Currently the nation's largest producer of plastic packaging, its rapid growth has been the result of internal management and product development.

*Political:* 1966, New York State Democratic Candidate for Lieutenant Governor. 1963-66, Chairman, Administrative Committee, New York State Democratic Advisory Council.

*Civic Activities and Honors (partial list):*

1965-66, Chairman, Citizens' Committee for an Effective Constitution (led campaign for voter approval to convene N. Y. State Constitutional Convention in April 1967).

April 1967, Trustee, Franklin Pierce College, New Hampshire; Fellow of Brandeis University, Waltham, Massachusetts; Trustee, Keuka College, New York.

1968, Awarded "The Bishop's Plaque" of the Catholic Diocese of Buffalo for "his devotion to the cause of peaceful relations between labor and management."

1967, National Civil Rights Committee, Anti-Defamation League.

1967, Board of Governors, American Jewish Committee.

1966, Trustee, Public Education Association.

1966, Humanitarian Award for Outstanding Civic and Community Services, Alliance of Independent Labor Unions and Professional People, Rochester, New York.

1966, Herbert H. Lehman Memorial Citation of the National Information Bureau for Jewish Life.

July 1965, Participant in White House Conference on Education.

September 1965, Citizenship Day Award, Citizens' Forum of City and State of New York.

October 1965, Appointed to Employment Service Task Force by Secretary of Labor Willard Wirtz.

1964, Appointed by President Johnson to National Citizens' Committee for Community Relations.

1964, Chairman, American Histadrut Cultural Exchange Institute.

1964, Member, National Committee for Employment of Youth Symposium, Washington, D.C.

1964, Award for National Foundation of March of Dimes as 1964 New York State Chairman.

December 1964, Public Service Award from NAPAN.

1963-64, New York State Chairman, Cancer Crusade of American Cancer Society.

1963, "Man of the Year Award" from Stuyvesant Polyclinic, New York City.

1962, "Man of the Year Award" from Canandaigua Chamber of Commerce.

1954-58, Member, New York State Business Advisory Committee (by appointment of Governor Harriman); Member, Executive Committee, American Israel Public Affairs Committee.

*Miscellaneous:* Author of many articles and studies on education, economics, and business.

Participates in active sports, including tennis, swimming, and basketball. (Was City of Rochester and Western N.Y. State tennis champion; and while at M.I.T. was Captain of the basketball team and a member of the All New England Soccer Team.)

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#### SECTION 4(b) OF THE SMALL BUSINESS ACT

The management of the Administration shall be vested in an Administrator who shall be appointed from civilian life by the President, by and with the advice and consent of the Senate, and who shall be a person of outstanding qualifications known to be familiar and sympathetic with small-business needs and problems. The Administrator shall not engage in any other business, vocation, or employment than that of serving as Administrator. The Administrator is authorized to appoint a Deputy Administrator and three Associate Administrators (including the Associate Administrator specified in section 201 of the Small Business Investment Act of 1958) to assist in the execution of the functions vested in the Administration. The Deputy Administrator shall be Acting Administrator of the Administration during the absence or disability of the Administrator or in the event of a vacancy in the office of the Administrator.

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The CHAIRMAN. Mr. Samuels, as I say, we have your biographical sketch. Do you have anything to add to that?

Mr. SAMUELS. I think it's already too long to start out with, Mr. Chairman.

The CHAIRMAN. Let me ask you this while I think of it. With reference to any conflict of interests, do you have any holdings or any interest that would in any way constitute a conflict of interest?

Mr. SAMUELS. Senator, my holdings are all in trust and were put in trust when I became Under Secretary of Commerce, and I have no holdings that would be in conflict of interest with my executing the responsibility as Administrator of the Small Business Administration.

The CHAIRMAN. Thank you.

You bring with you, Mr. Samuels, a broad experience in business and Government. I have been particularly interested in noting your service with the Department of Commerce. I know and I am sure you know that there are suggestions which arise from time to time that the Small Business Administration should be put in the Commerce Department. I feel very strongly, and this committee on many occasions has asserted itself as feeling very strongly, that the Small Business Administration should remain as an independent agency of the Government, and I would like to hear from you, in view of your previous experience in the Department of Commerce, if you have any feelings on this question.

Mr. SAMUELS. Senator, I only can paraphrase Mr. Churchill, when he said, "I have not become the King's first Minister to preside over the liquidation of the British Empire." I would not like to become the Administrator of the Small Business Administration to preside over its liquidation or consolidation with the Commerce Department, and it certainly is not any objective that I have in taking over the responsibility.

The CHAIRMAN. If you have read the record back over the years, you know that this matter has been discussed several times on the floor of the Senate, as well as in the House of Representatives. In this committee the objective has always been for it to continue as an independent agency. You do subscribe to that view?

Mr. SAMUELS. Senator, I think all of us have to be conscious of the need for continuous review of the organization of the executive branch of the Government. However, I certainly do not see anything today, in terms of the present organizational structure, that would make me favor the consolidation of the Small Business Administration with the Commerce Department.

The CHAIRMAN. One of the strongest statements that were made in favor of independence was made by a Senator by the name of Lyndon B. Johnson, who now happens to be in the White House. I do not know whether you know that or not.

Probably the most publicized Small Business Administration activity is its lending program. Hundreds of thousands of American small businesses have received financial assistance through the Small Business Administration. I want to see this program continue to grow and I do not want to see a diminution of the Small Business Administration direct-loan program. At the same time, I would like to see a maximum participation in the Small Business Administration of financing with the private sector.

Do you have any plans to encourage continuing support of Small Business Administration programs from the private sector?

Mr. SAMUELS. Senator, during the last 2 or 3 weeks I have been spending a considerable amount of time with Administrator Moot at SBA, and I am elated with the tools that Congress has given the Small Business Administration. But these tools can be greatly increased, particularly by the active participation of the banking community.

I have already had my first meeting with the American Bankers Association and I am having another meeting with them this noon. I hope shortly we will be able to announce a much more aggressive program with the participation of the private sector.

When I came to Washington, the great challenge the President gave me was the involvement of the private sector in social problems of our day. Certainly at the Small Business Administration I will have a great opportunity to further expand both the activities of the Small Business Administration and the involvement of the private sector, in areas which I think need consideration from both the private and public sectors.

The CHAIRMAN. Of course, I know the very fine job that has been done in getting the banks of the country to participate in the program. I think that we have a good way to go yet to get the full alignment that we should like to have. But may I say this very frankly—I have said this to Mr. Moot—sometimes in pushing these programs I feel that perhaps we get to the point where we almost insist upon it, possibly to the detriment of the direct-loan program.

The Small Business Administration was organized originally on the basis of the direct-loan program, and I still conceive that as being the heart of it, because it is supposed to be a prop to small businesses who need a prop, and of course if they can get that assistance through the banks and with the banks, fine, but I often think that there are a lot of small businesses that cannot get the banks to line up with them. I certainly would hate to see them denied the benefits of the Small Business Administration simply because of not being able to get lined up with the banks.

Mr. SAMUELS. Well, I think, Senator, unless there is a different view taken by banks all across the country, it will be necessary to continue the direct-loan program and to come to Congress for support in the direct-loan program. I am hoping that the banking community of the country will see the economics, the social need, and their own personal responsibility of getting involved more deeply with the public sector in this area which has been so well executed by Congress. I certainly do not expect the end of the direct loan, but we hope to get the banking community so deeply involved that they can fulfill a responsibility that I think belongs to them, particularly with our guaranteed program where a great percentage of the risk still sits with the Federal Government.

I think there is a partnership here that, as you well said, Mr. Moot has carried on and moved very strongly in, in the last year, and which I hope to move even further in the period ahead.

The CHAIRMAN. Now, there is one other thing that causes me some doubt. It has to do with these loans that are available for distressed citizens. I believe these loans are made up to \$15,000—

Mr. SAMUELS. \$25,000 now.

The CHAIRMAN. It started out originally as \$15,000. I certainly have no objection to them. I think they are a fine thing, but I run into this occasionally. I run into a small businessman who is conducting a small

business and he needs help. He has the difficulty of showing sufficient collateral to meet SBA loan requirements and because he does not fit into one particular category, he cannot get a loan. In other words, it seems to me that sometimes we have discrimination in reverse today. I do not know what the solution is, but I do think it is something that we ought to give attention to.

Mr. SAMUELS. Well, Senator, let me make two comments. I think giving a loan to a man—any man—who does not have a reasonable opportunity of being successful is a great disservice to the man himself. I think that while we expect certainly with disadvantaged people or distressed people, as you mentioned, that the opportunity of success might be less, we still have to look at this thing in a business-like way in terms of his needs, as well as the country's needs.

I think there are approaches in the inner city today, particularly where we are giving special aid to disadvantaged, that serve the needs of the Nation and while on the one hand it may seem that we are discriminating in one direction, I think on the other hand it may be bringing back into balance an inequality that existed for such a period of time that whatever decisions we make are in the best interests of the country's long-range economy.

I think that the fact that in the inner city today 80 to 85 percent of the businesses are not owned by the ethnic group that lives there is something that has not been usual in earlier breakdowns of ethnic groups in this country.

The Jews tend to have owned their own retail stores, the Irish their stores, the Italians theirs. There is a question here of pride of ownership that in terms of the long-range spirit of the American economy in a free enterprise system we ought to try to correct. This is a very difficult balance to move in, Senator, but I am committed, and I think at the direction of Congress, to move to aid the inner cities.

At the same time we want to aid the small businessman in the rural area, and you have given us the tools to do both.

The CHAIRMAN. Well, I repeat: It is a question I find difficult to evolve in my own mind, and yet I do have a feeling that sometimes, perhaps, we may be overstringent with the small businessman who is not what you would call disadvantaged. Perhaps he is disadvantaged. Suppose he needs operating capital and he has got a promising business, a business that has been running well, but just for the moment he cannot put up collateral to the extent that may be required, it seems rather hard to tell him he cannot get a loan when a man perhaps next door or in the next block and who has virtually no assets can get a loan without being required to put up collateral.

I just wanted to throw that out, because it does disturb me somewhat.

Mr. SAMUELS. Thank you, Senator, for your comments.

The CHAIRMAN. I just add this word: I have felt all along, and I do feel, that a great deal of success of the Small Business Administration has resulted from the absolute dedication of the personnel that are in that organization. I assume you would agree with me in that.

Mr. SAMUELS. Senator, I said this to Bob Moot again this morning. I have now met with all of the leaders of the Small Business Administration here in Washington, and I have already made one field trip. I told Administrator Moot how pleased I was with the staff

and how I felt that he should be very pleased with the level of talent that we have in this agency and that it gives me a great amount of confidence to move forward, knowing that the administrative staff and the technical staff that I have seen in Washington have contributed so much, and I certainly am looking forward to working with them. And, again, I pass my congratulations on to Administrator Moot and those that came before him, for giving us the kind of force that you mention.

I might mention again, Senator, my deep conviction that the Small Business Administration—and this was one of the reasons that I accepted the responsibility with such enthusiasm—has more economic tools for development in this country than any other agency that I know of. Between the 502 operating effectively in the rural areas, as well as in the cities—and, after all, having been associated with EDA, I have some feeling about the tools that are available also in the Commerce Department—the EOL loans, the guaranteed program, the major tools for economic development in this country today sit in the Small Business Administration, and I expect to make excellent use of them.

Today with a guaranteed program and despite the reduction in budget, with the participation of the private sector, we have almost a billion dollars, at least, of economic encouragement of capital and training money that we can provide for the economic growth of this country, obviously concentrated on small businesses, and I think this is a terrific challenge.

I do not think the country recognizes the strong and constructive tools that have been built into this organization.

The CHAIRMAN. Well, I appreciate that statement. We all wish you well, and I am sure I can assure you on behalf of the committee that you will find this committee always ready to cooperate and help you in any way we can.

Mr. SAMUELS. Thank you, Senator.

The CHAIRMAN. Senator Bennett?

Senator BENNETT. Mr. Chairman, I appreciate the opportunity to meet Mr. Samuels. I am very much impressed with his record. I was a little disturbed when he said that his biographical sketch was already too long. I assume that he did not mean that he had come to the end of his career. I hope it gets much longer before he gets through.

Mr. SAMUELS. Thank you, Senator.

Senator BENNETT. Mr. Samuels, as I told you before the committee met, some of the Republican members of the committee have been requested to talk to you about a case which is known as the SNAM or SNAM-Progetti matter in which you were involved while you were Under Secretary of the Commerce Department. What was the status of this matter when you left your position of Under Secretary of Commerce?

Mr. SAMUELS. Senator Bennett, this question is still under investigation in the Commerce Department and recommendations are being forwarded to Secretary Smith for his decision regarding the Commerce Department's position in this case.

Senator BENNETT. You took an active part in the investigation of this problem while you were there, did you not?

Mr. SAMUELS. Senator Bennett, I think all cases that involved American businesses in foreign countries where American business has

a feeling that their interests may not have been protected require and should get the support of the Commerce Department and all of us in Washington, because I certainly think one of the great potentials for this country in the year ahead come in terms of our patents and our know-how. Those are our greatest export potentials and therefore obviously with this in mind it became a responsibility of the Under Secretary, as well as the Secretary, to be involved in any questions on this ease.

Senator BENNETT. The fact that you are moving over into the Small Business Administration has disturbed some people because they fear that now perhaps the matter will not go forward as fast as it might have done.

I assume you are still available for further consultation if they wish to consult you?

Mr. SAMUELS. Yes, sir; I am, sir.

Senator BENNETT. Mr. Chairman, this matter is not properly before this committee. It is properly before the Commerce Committee, if there should be any question. I think it would be improper on the matter of jurisdiction for us to try and question Mr. Samuels about his position on this matter before the other committee, but because of the Republican members—or some of the Republican members—have been approached on this matter, I just wanted the record to show that I, for one, feel that the questions suggested to us are not properly a part of Mr. Samuels' questioning as to his ability to serve effectively as Administrator of the Small Business Administration. But because the question has been raised, I appreciate the opportunity to raise it this far with him, and to get from him the assurance that he is available for further consultation and consideration as this other problem develops further in the Commerce Committee.

Mr. SAMUELS. Thank you, I certainly am, Senator.

Senator BENNETT. Thank you. I have no further questions.

The CHAIRMAN. Senator Proxmire?

Senator PROXMIRE. I agree with the chairman and Senator Bennett that we are very fortunate in having you, Mr. Samuels, as the appointee to succeed Mr. Moot, who has done such a fine job in the Small Business Administration.

I notice that after your fine education and your distinguished service in World War II that you started a small business yourself, the Kordite Corp., along with your brother, and in a short time it became a big business and is now a thriving business and part of Mobil Chemical Co. For how long a period of time was this a small business, in the sense that you employed less than 500 people?

Mr. SAMUELS. I think from 1946 to 1962 it was a small business. By 1962 we were already employing probably close to 400 or 500 people.

Senator PROXMIRE. The first 15 years or so you had the experience—

Mr. SAMUELS. They were very difficult years, Senator. I am very sensitive to the problems of financing the growth of a small business today in America. It is a very difficult thing. I think one of the challenges that we must review on a constant basis in terms of small business growth, unfortunately, is that it is not easy to borrow money in a fast-growing business. When the business grows, it becomes a

question of whether you can keep your equity position very long, or you have to sell part of your equity position to get sufficient amounts of capital to move forward.

On the other hand, Senator, I am among many Americans who can show that this is still a country of great opportunity, where a man can start at small businesses, can take great pride in its growth, and, have contributed to his own personal wealth. So it is still possible.

Senator PROXMIRE. Certainly capital is a big element, and that is the element at which the Small Business Administration has primarily aimed its efforts. But another big element is the training, the skill, the managerial ability to do the job. I am interested in your responses to the chairman with regard to entrepreneurs for minority groups, and I am delighted to hear your emphasis on this and your recognition of the fact that this is an area which is a matter of public policy in which this country should do far more than it has done. We have had testimony before this committee and the Joint Economic Committee and other committees in Congress by Negroes who contend that, right at the heart of the distress in the ghetto areas is the fact that they would like to become part of what they consider the establishment in America, that is, business, but they do not have much of an opportunity to do so.

As you say, the statistics are just overwhelmingly depressing. The number of Negro businessmen who own their business is very, very small. It is far less, as you say, than in other ethnic groups. So I am very happy that you are considering this as something that you have to put a lot of emphasis on, not only from the standpoint of capital, which is essential, but the extraordinary amount of training which I think we are going to have to have.

Mr. SAMUELS. I received a commitment for this, as you know, when the President announced my nomination, of the support of all the other agencies who have been involved in this, which will now be concentrated in the Small Business Administration.

I might say that I have some very strong ideas about how we will organize this and move forward with it. I think we have just begun to approach this problem and I hope you will see some very positive action from SBA within the next month or two.

We have resources to do this, particularly with bank support, and one of the reasons. I feel very strongly about the banks being involved, the banks are there in the locality. They know the people. They have follow-through structures, and management structures and are very important, because it is not only important getting a man in business, but it is also helping him be successful. And as Mr. Moot has done, and the Small Business Administration has done, we have now begun to get retired business people involved in giving counseling, including the inner city, and I see just a lot of potential.

I think one of the greatest spirits this country can show in the next few years is to help the inner city people become part of the economy. We have begun, but we have only begun, and I assure you this is going to get a tremendous proportion of my attention, and that we will be coming forward with programs which I think are possible within our present budget limitations, if efficiently managed, to really move this forward.

Senator BENNETT. Mr. Chairman, I have got to go to the Finance Committee, and I neglected while my turn was on to say that I want

to say that I certainly intend to support the nomination, and I hope that it will be approved by the Senate.

Mr. SAMUELS. Thank you.

Senator PROXMIRE. I will be quite brief. I just want to say that I do hope that you will be aggressive in coming to the Congress with adequate budgetary requests in this area, because I think it is so important, and I hope that the \$6 billion expenditure cut which I supported—I would like to have seen it deeper in many areas, especially in defense—I hope this does not handicap you.

Mr. SAMUELS. Senator I have the tools. We have the tools. If we get the private sector involved, which has already begun under the administration of Administrator Moot, and some of the ideas that the banks have already discussed with me, if we properly organize and manage it, it is not just money we need. It is commitment and organization and management.

And I am talking about not only management of the entrepreneur in the inner city, but governmental management. We have got to manage the resources we have at the Federal level and in terms of the cities, the fragmentation of organization structure, they are all trying to deal with the same problem, and they all have to be brought together with sound management in the cities. I am not as convinced that we need more money, as I am convinced that we need more management of the resources that Congress has given us.

Senator PROXMIRE. I am interested in the 502 development program. I do hope that this program goes ahead, because it has been a good program in the past, but too limited. I think it has great potential.

Mr. SAMUELS. I think it is one of the great economic tools that the Federal Government has, and I know, in reviewing the results of last year, we have moved very strongly in the 502's and I might say in the 502's here is another area, if we get the banks involved again, and the lending institutions involved, and I think they have a responsibility for this involvement, that we can further the resources that the Federal Government has given us, and can get the lending and banking institutions to play a more important part in the social and economic development of our country.

Senator PROXMIRE. There is just one other program. That is the SBIC program that this committee has pushed very hard. I understand that some of your best SBIC's, your biggest and most successful have tended to get out-of the program when they have become big and become investment companies. This means they stop providing badly needed capital for small businesses and put their capital into middle-sized and bigger business.

I wonder if the SBIC program can be expanded and encouraged and can you hold on to your thriving firms?

Mr. SAMUELS. I wish I could answer all the details of that. I am just not knowledgeable enough about the details of the SBIC at this time. I assure you that the basic purpose for the SBIC is a very important purpose in the country, and you can count on me for coming to you for recommendations if the present legislation does not enable us to actually increase the participation and the leverage and the management techniques and help that we can get from SBIC's in the development of small businesses.

Senator PROXMIRE. I, too, am very enthusiastic about this nomination and intend to support it, Mr. Chairman.

I think, among other aspects, he has a lovely family with eight children. He is off to a fine start.

Mr. SAMUELS. It just proves that, despite the fact that I have some relationship with big business, I am also interested in small business.

The CHAIRMAN. Senator Percy?

Senator PERCY. Mr. Samuels, at the end of World War II, we marshaled the resources of this country to help our enemies to rebuild, and our allies to rebuild, and developing nations to get on their feet. We spent over \$100 billion doing this and American business contributed importantly in providing technical assistance.

What role do you see such business organizations as the American Management Association, through its president, Sandy Trowbridge, former Secretary of Commerce, NAM, U.S. Chamber of Commerce and others in helping the minorities of this country become part of the economic fiber of the country, in building businesses here and business ownership and development, just as we so successfully worked in cooperation with governments abroad?

Mr. SAMUELS. Senator Percy, I think you possibly know that in the formation of what I consider the most historic organization in Washington this year, the National Alliance of Business, that I participated very heavily. That was formed initially within the Commerce Department, both the ideas and the execution of the National Alliance of Business.

I mentioned earlier that I have already met with the American Bankers Association. I am meeting again with them at noon today and I would hope that we would be able to announce sometime within the next 30 days a whole new structure of private sector and public sector participation which I think is essential—and I underline the word essential—for the execution of the social responsibilities which Senator Proxmire talked about, particularly in the inner cities.

The banker associations are ready. American business is ready. And I think it is up to us here in the Federal Government to develop the structures of organization to be able to take advantage of their enthusiasm, their creativity, and their resources. I am committed to that, Senator.

Senator PERCY. Mr. Chairman, I have heard sometimes that there a little antagonism between downtown and the congressional committees, but I think the tradition of this committee has been one of fine cooperation with the Small Business Administration.

We have, at the table with you, a distinguished former Administrator and I think the former Administrator would say that we are uniquely privileged to have the qualifications of Mr. Samuels at this time. I do not know of any other job that we need a man of his quality for more than we need it right now.

Distinguished colleagues of ours in the House, Bob Taft, Mr. Widnall, and Charles Goodell put in a bill for community development just the other day working with CORE, a militant group who are insisting on ownership of a part of American enterprise by black Americans and I strongly support their endeavors and their hopes and aspirations, but they have to be implemented with a partnership between Government and business and labor and I do not know anyone who would be more qualified.

Maybe I am prejudiced by Mr. Samuels being a good personal friend of ours and admiring his wife, Barbara, and his children and the way they have conducted their personal life and their business life. It has been a truly inspirational story and I hope we can work together and I pledge my cooperation and support of anything I can do to further what I consider an enormous responsibility.

I support this nomination.

Mr. SAMUELS. I read the bill your colleagues put forth and I think it contains some creative ideas. On the other hand, I might say that I think we have presently the resources providing that we can get the support of the banking community without additional Federal funds to execute exactly what is the intent of that bill and I aim to do that.

The CHAIRMAN. Senator McGee?

Senator MCGEE. I have one question, Mr. Chairman.

Mr. Samuels is making a very outstanding record in a very short time downtown and his other credentials are impressive. I certainly endorse the philosophy that you have expressed here this morning and realize that you manage a greater proportion of business, Government, labor cooperation than we have been talking about here. I think this should be a part of our understanding; but I would also hope that in going that route you do not get the Small Business Administration mixed up with a bank or a banking institution, as such. The SBA was created because of the problems and the needs of small businessmen that banks sometimes cannot take a chance on. So assuming that philosophy, I think you have served outstandingly.

The last thing I have to say is that I hope you do not forget the small country boys out West. We also are very deeply concerned about what happens in the cities and our votes are going to the cities in terms of new programs. But we also have problems, and out our way particularly, the small business loan may be \$5,000, not \$500,000.

We have a very difficult time getting across back here how important a handful of dollars really is in a very small community with a genuine small businessman. His needs are sometimes so small they tend to be overlooked. But those fellows are still there and they still need the kind of cooperation the Small Business Administration has been extending to them. We look forward to your leadership in this area.

Mr. SAMUELS. Thank you, Senator. I assure you we will not forget the small businessman, certainly in the West or East or any other place or in the rural area.

I mentioned to Senator Sparkman that the 502 program which the Senate and the Congress has given the SBA Administrator is one of the most remarkable economic tools to help small rural communities to help themselves and in the end, that is really what we want to do in America. We want to help people help themselves.

The idea of the Small Business Administration is not to give away money but to develop people as part of the free enterprise system and to use the leverage and guarantee of the Federal Government and the management techniques to move the economy of the country and to make it available to all people.

Senator MCGEE. My only objection, if I may say so, is that in some limited cases in the past we have seen a Small Business Administration attitude that wanted a 1,000 percent batting average on the loans that were made, so they did not lose a one.

I think that if they are that good they are in the wrong business. The SBA ought to be taking a chance on losing a few loans just because the chance looked like it was 50-50 or 51-49. We should worry less about that batting average as long as it is in reason, and consider more the merit of the kind of risk that is taken.

Mr. SAMUELS. Thank you, Senator. I think you have to balance this on the fact that it does not do any good to put a person in business where his chance of success is not very good, either. The management tools that we can provide are very important. I am not talking as much about Government management as the willingness I find of retired people and business leadership across the country to roll up their sleeves and to help the small man in business; and I think we have got to take more advantages of some of the volunteer enthusiasm that we have got of business leaders of this country to move our social progress forward and I aim to do that. I think this is the kind of approach that we want to use to make those businesses successful.

Senator McGEE. I heartily endorse Mr. Samuels and I pledge you my full cooperation.

Mr. SAMUELS. Thank you, Senator, very much.

THE CHAIRMAN. May I just say this, I agree with what Senator McGee said. Of course, we want this to be a sound operation, but at the same time it was organized originally to look toward extending relief to those who need it and could not get it elsewhere. Sometimes I read some of these letters that come back with those three reasons for turning down a loan and they are always the same—always the same.

One is insufficient collateral. I have so many small businesses, and I mean really small businesses, say, "If I had that amount of collateral I would not need any loan." I think we sometimes get a little too close to the rigidity of commercial banking and now I may sound at cross-purposes in saying I want a sound operation, but at the same time not be afraid to venture in some situations that may result in losses.

We expect that. Even the best bankers do that. I do not think we ought to try to compete necessarily with the very best banking in the country. Because in SBA we are dealing with people who are risks to the extent that banks ordinarily do not take the loan. Usually that is the case with very small businesses. I have seen small businesses apply for loans, who through the years have had good operation and perhaps they had one bad year and needed a loan because of that bad year.

They are told, "Well, until you show a better operation, we cannot give you a loan." When you get to the point where you show that better operation, you do not need the loan. I think that help ought to be extended to lift them up.

I also want to say this with reference to the point that Senator McGee made about the rural sections. I feel that there is a very definite tie between conditions in the rural sections and conditions in the ghettos or the inner cities. A great many of them are there in the ghetto because they couldn't make a living out in the rural area; and they have come to the cities.

The more we can extend industry into the rural areas, the small towns, the more jobs we provide for people the more we can make

it possible for them to stay there, so I think the 502 program and any other program that is oriented toward helping out the rural sections will also prove to be of help to the ghetto areas in the long run.

I hope we can reverse this trend of people moving from the rural areas into the cities.

I do want to commend to you, Mr. Samuels, something you have already said, and that is the fine work that has been done by Mr. Moot and his staff that preceded you.

By the way, there is one thing I was interested in in reading your biographical sketch. You went into the plastic business at the end of World War II. Were you one of those GI's that took the separation pay and savings, and invested it in a new industry?

Mr. SAMUELS. Senator Sparkman, the only money that I had to invest in a business was money my wife saved from what I sent her when I was overseas, and we started out with about \$3,000 or \$4,000 and my father borrowed money on his life insurance and on the house. That is how we started the business in 1946.

The CHAIRMAN. The reason I asked you that question is that I have known so many small businesses that were developed just that way.

I have in mind, for instance, a window sash company. Two young fellows came back from Germany where they had seen something over there, aluminum window sashes, and they opened a business in a one-car garage attached to a home. They would peddle them out through their town and out over their county. It took. Soon they were in a two-car garage and later they move into a barn.

We held some hearings here back in about 1951, on the question of allocation of materials. That was during the time when materials were being allocated. Lots of small businesses that did not have a long history found themselves in a very bad way. The history they did have was one of growth.

As you average it back over the years to get the amount that you normally would need, you would not get the amount that was necessary to propel the company forward. And I remember this sash company down near my home. One of their men came in and testified that it was a matter of getting materials. He said they could not get the materials. They simply were going to go broke.

But today they have businesses in 40 different States, maybe more than that by now. It is a tremendous business that they have grown into.

I remember we had some plastic companies down for the hearings and it was exactly the same, a couple of GI's would come out of the service and go into this new business, plastics. I became very much impressed with those little businesses that sprang up at the end of World War II. I think we can keep them in mind and get a lot of encouragement as to why it's possible in this country for small businesses to succeed.

I am very pleased to hear the philosophy that you have expressed.

By the way, we wouldn't miss this opportunity to hear from Mr. Moot again. He may not be up here as frequently as he has been in the past, but Mr. Moot, we would be very glad to have any comment you may wish to make.

Mr. Moor. Thank you, Mr. Chairman. I do want to say that I am happy to be here, not only so that I can warmly endorse the nomina-

tion of Howard Samuels, but also to express my deep appreciation to all members of this committee. Your active and continuous support of Small Business Administration programs together with the creative and very progressive legislation which you have sponsored, I consider to be key elements of the agency resources.

I am very grateful to you. There is no doubt in my mind that Mr. Samuels brings the type of leadership to the agency that is required to achieve those objectives which this committee has so carefully and specifically outlined for the agency; and I know that he will carry those programs forward.

The CHAIRMAN. Thank you very much. We shall always be grateful for the fine job that you have done.

Well, thank you very much, gentlemen. We appreciate it.

I will ask the committee to go into executive session for a few minutes. The audience will retire.

(The committee adjourned at 10:20 a.m.)

