Journal of Accountancy

Volume 59 | Issue 2 Article 2

2-1935

Business Failures and the Small-Business Man

Robert B. Hawthorn

Follow this and additional works at: https://egrove.olemiss.edu/jofa

Part of the Accounting Commons

Recommended Citation
Hawthorn, Robert B. (1935) "Business Failures and the Small-Business Man," *Journal of Accountancy*: Vol. 59 : Iss. 2 , Article 2.
Available at: https://egrove.olemiss.edu/jofa/vol59/iss2/2

This Article is brought to you for free and open access by the Archival Digital Accounting Collection at eGrove. It has been accepted for inclusion in Journal of Accountancy by an authorized editor of eGrove. For more information, please contact egrove@olemiss.edu.

Business Failures and the Small-Business Man

By Robert B. Hawthorn

If one were to ask one of his small-business acquaintances his opinion concerning the future of his business, he would probably say that the day had passed when a man with a small amount of capital could go into business and succeed or that the competition of the chain stores and the large independents is making it almost impossible for the small, local storekeeper to stay in business.

The reason for his believing this is more psychological than factual, for there appears to be little evidence to support either of these conclusions. Of course, if he accepts without further thought or analysis some of the failure statistics of one of the larger credit agencies, there might be some reason for believing that the small business is sinking into oblivion. It will be helpful to review and briefly analyse these statistics before coming to any conclusion.

The Bradstreet Company, which in 1933 merged with its rival, R. G. Dun & Co., reported in its 1932 yearbook that of some 31,700 concerns which failed in the United States and Canada in 1932, more than 28,000 or 89.3%, had not more than $20,000 of capital. Bradstreet further reported that in the decade from 1923 to 1932 the failures numbered some 217,300, and that the failures for 1932 were over four times those of 1919 (the year in which the smallest number was recorded since 1880).

On the face of such revelations, it might appear that Mr. Small-Business Man knew what he was talking about. But if he considers that the actual number of new businesses exceeded the failures during the same period by 48,000, this large number of failures should not arouse undue pessimism. The same may be said for the fact that the failures for 1932 were more than four times greater than those of 1919. It must be remembered that in 1919 nearly all of us shared in the prosperity following the world war, which left nearly all of Europe prostrate and largely dependent upon our unlimited and unimpaired resources. Nor should we lose sight of the fact that 1919, the year in which it may be said nobody complained about bad business, has been used as a kind of yardstick by both large and small in measuring the amount of business which they think should gravitate to them, forgetting

that then the main problem was getting merchandise to sell, not, as now, one of finding someone to buy it.

Probably the best indication that the small-business man is in error in believing that he is headed for the rocks is a comparison of the percentage of failures among small businesses for 1932 with the percentages for 1930 and 1931. This is the acid test. Those failing whose capital was $20,000 or less, it was noted, were 89 out of every 100. Does this not compare favorably with 95 for 1931 and 96 for 1930? Does this not indicate that there was a decline of some 7% in the proportionate number of small-business failures from 1930 to 1932 and a proportionate increase in the large? Does this not indicate that the small business is decidedly holding its own?

The average small business man looks into the future with foreboding. Rarely does he consider what he hears and reads in the light of its real economic meaning. When his business is bad he usually blames others who, in most cases, have had little or nothing to do with it. He never stops to consider that his trouble might be himself—his own shortcomings. While nearly every small-business man and every street-corner economist has a different view regarding the depression, its cause and its ultimate effect upon society, they all agree that the "chains" and the larger independents are primarily responsible for the predicament of the small merchant. In fact, so much of this sort of thing has been said that many have given up and are now only waiting for their creditors to come along and close them up.

There has been a great deal of talk to the effect that one can not operate a business without capital—and by this is meant more capital than the average small business employs. Not only have the small merchants themselves advanced this argument, but it has been encouraged by large credit agencies and the Main-street commentators, whose opinions out of half-knowledge have had much to do with moulding the minds of the small, local storekeepers.

It is manifestly true that there have been more failures among small businesses than there should have been; but to say that lack of capital has been the principal cause is, I think, to place too much emphasis on only one of the possible causes of failure.

But what, it may be asked, are the real underlying causes of the many failures? The question is indeed difficult to answer; it can hardly be answered to the satisfaction of all of us. Bradstreet,

for one, for a number of years attempted to classify them, but there was left much room for controversy. Bradstreet stated that lack of capital is unequivocally the predominant cause.

The following is a list of the causes of failure for 1932, and the relative percentage of each to the total, as taken from Bradstreet's *Business Year Review*, issue January 28, 1933:

Incompetence	13.6%	
Inexperience	3.0	
Lack of capital	30.2	
Unwise credits	1.0	
Total internal cause		47.8%
Extravagance	0.2%	
Neglect	0.3	
Fraud	0.5	
Speculation	0.1	
Total culpable internal cause		1.1
Competition	1.1	
Unfavorable circumstances	49.0	
Failure of others	1.0	
Total external cause		51.1
		100.0%

Of the personal or "internal" causes, according to this summary, lack of capital has led the field, with incompetence and inexperience. Taken together, a fairly close second. Inasmuch as there is little to distinguish them, the two have been combined here in order to eliminate the possibility of confusion. Obviously, if a man is inexperienced, he is also incompetent—at least he is incompetent until he acquires experience. A man may be a good carpenter, for example, and yet prove himself wholly inefficient if called upon to manage the affairs of a large lumber mill or furniture factory. As I see it, almost all of Bradstreet's internal causes, both culpable and inculpable, are closely related.

Many small-business men are, no doubt, doomed to failure from the start, simply because they have not the remotest idea of the capital that is necessary or what knowledge they should possess to insure the success of their undertaking. Failure in such cases might be attributed, not only to lack of capital, but to several other things as well.

The following episode will illustrate the folly of attempting to attribute to some one cause each of the thousands of business failures:

Some few years ago I knew a man, a salesman for one of the fairly large instalment houses, who became dissatisfied with his position and resigned. He felt confident that he could succeed with a store of his own. With the little money he had saved up and with what else he was able to borrow from his credulous relatives, he started out, endeavoring to compete with his former employer. His whole capital outlay did not exceed $8,000 or $9,000. To complete the story, he bought at the outset some $15,000 of merchandise, $10,000 of which was on credit, rented a large store, and spent nearly the entire balance of his money, about $3,000, on fixtures, before selling a dollar's worth of merchandise. He set out to do the volume of business his former employer had done—and did do it. The sheriff closed up the business eighteen months afterward.

I should like to know how Bradstreet classified my friend, whether his failure was charged to lack of capital or to inexperience—or to what. My guess is that all the causes under the first caption and perhaps one or two under the second or third were responsible. If, however, I were forced to decide definitely, my conclusion, like Bradstreet's, would be purely a guess, notwithstanding that I know intimately the man and his methods of doing business. Had this man had more capital he might have eventually succeeded; he might have been able to overcome his costly errors of judgment and have made a success. On the other hand, he probably would have failed anyway. Incompetence and inexperience as a rule go hand in hand with lack of capital. If a man ventures into business without sufficient capital, there is usually some other weakness more serious and deep-rooted.

Capital deficiency sometimes has its virtues as well as its vices. Someone once asked one of our so-called captains of industry what was the cause of his success. His reply was: "Lack of capital." Personally, I am inclined to believe that, if the facts were known, lack of capital, without incompetence or inexperience projecting themselves into the picture, would be found actually responsible for far less than 30% of the total failures.

The importance of lack of capital as a cause of failure has been much discounted in an investigation of 512 failures in 1930 in New Jersey, made by the department of commerce in collabora-

tion with the institute of human relations of the law school of Yale. Their report has this to say:

> In tabulations of the causes of business failure, one frequently finds "lack of capital" near the top of the list. This is easily understood. In viewing the failed concern, with its huge debts and small assets, both debtors and creditors have a tendency incorrectly to attribute the failure to lack of capital. They look back over the months preceding failure, when the debtor had difficulty in raising money to meet his obligations, and the matter seemed obvious; he failed because he lacked capital.
>
> Lack of capital was not an important cause of failure in the cases studied. In most of these cases where failure was attributed to lack of capital, something else was the cause. These individuals had control over all the capital they could efficiently administer; in fact, in a few instances, the figures seemed to indicate that too much capital, rather than too little, contributed to the downfall. The owners of the businesses had received generous extensions of credit, the proceeds of which had been used up gradually through lack of proper management. They then lacked capital, it is true, but this condition was a result of failure, rather than a cause of it. Undoubtedly at times competent business men launch themselves on enterprises with possibilities for success, and are forced into failure because, for some reason or other, they are unable to secure credit to carry on the business; but these cases are rare and were inconspicuous in the New Jersey study. . . .

Unwise credit, it therefore would appear, has had little to do with the many failures. It has been responsible for only one per cent. of the total. Here there seems to be a conflict of causes. Undoubtedly, many failures attributed to laxity in granting credit have been classified under lack of capital, incompetence or inexperience. The fact that these are general causes, any one of which might embrace unwise credit, leads me to believe that Bradstreet might have classified some of our victims of "unwise credit" as "incompetents." That he was incompetent might easily be said about a person who had not recognized the importance of collecting his accounts. It is hard to perceive how a person can fail because of his laxity in extending credit without his being either incompetent or inexperienced. It is much like a doctor's saying that the death of one of his patients was due to some infectious disease, while that of another, who suffered alike, was due to his heart's ceasing to function. Since it is nothing more than a "hangover" from injudicious selling, unwise credit

most certainly is a form of either incompetence or inexperience or both.

In nearly all the failed concerns with which I have come in contact during the past twelve years, credit losses have been heavy. Particularly is this true in the case of small businesses. The New Jersey study revealed that bad-debt losses in some instances were as high as 40% of open credit sales. Concerning credit and credit losses, the investigators' report reads thus:

> The poor credit methods of the businesses which failed are evidenced by the large losses on bad debts. . . . For the year preceding failure the average bad debt loss on open credit . . . was 7.2% [of credit sales]. The average loss on instalment credit was 17.1%. . . . According to the reports of the national retail credit survey conducted by the department of commerce, the average open-credit loss for all types of retailers was 0.6%.

The difference, then, between the average percentages of credit losses of the successful and the unsuccessful would indicate that unwise credit has had a great deal to do with the many failures. Regardless of how efficiently it is run otherwise, no retail business can survive when it loses continually in worthless accounts 17%—or even 7%—of its sales. The foregoing percentages are, I think, representative of the whole country. Certainly New Jersey does not differ from other states in this matter.

To account for such a large percentage of credit losses is not difficult. To begin with, the average small merchant often sells his goods to persons who he knows are "deadbeats," thinking that they will pay him when they do not pay others. In other words, he is momentarily more interested in making the sale than in whether or not he will eventually collect for it.

As a matter of fact, very few small-business men avail themselves of the services of their local credit exchange or association, whose files contain the credit history of almost every local buyer. In order to save the cost of membership, which is often nominal, many small merchants extend credit without inquiring into the credit standing of their customers. As a result, these small merchants often lose in bad accounts in the course of a year much more than would be their cost of membership.

The credit exchange, needless to say, is a necessary adjunct to modern business. These exchanges, located in nearly every city or town of any consequence, have had more than anything else to do with stabilizing and strengthening credit all over the

country. Many persons who otherwise would not pay their bills, knowing that their local credit association keeps a record of how they meet their obligations, now pay.

Recently I asked a credit exchange manager how many small, local merchants were members of his association. "Not over 25%," he answered. Of the New Jersey failures, whose credit losses and credit methods were studied, the percentage was much smaller than that. "Of the 238 businesses reporting on the subject, 32, or 13.4%, used credit bureaus, and 206, or 86.6%, did not. . . ."

It is generally conceded that poor management is the parent cause of business failure. Particularly is this true in the case of small businesses.

Now why should there be so few good managers among small-business men? Not long ago I asked one of my clients, a successful small merchant, his views on the question. "They are," he said, "unable to manage themselves. And those who do pretend to mind their affairs," he added, "never accomplish anything, for the simple reason that they persist in sticking to methods which are as out of date as hoopskirts."

Here is sounded, probably, the keynote to the whole score. Very often—too often, no doubt—business men, both large and small, become engrossed in matters foreign to their own businesses. Golf, which is now indulged in by the proletariat as well as those higher up the business ladder, has perhaps drawn the minds of many away from their businesses. The increase in the number of golf courses and in the manufacture of golf paraphernalia since the war tends to show the plausibility of this conjecture. This brings to mind another example not dissimilar, and that is the large number of men who, before the market crash in 1929, dissipated much of their time watching the blackboards in the offices of their brokers. I know of several who invested in stocks at inflated prices (on margin) more than they had in their own businesses.

Good merchandising is probably the most vital factor in the success of a business enterprise. Yet nearly all that a vast number of small business executives know about it is buying something for one price and selling it for another. Such problems as overstocks, overhead—that is, keeping the expense under the margin of gross profit—little concern them.

Like the extension of credit, the importance of bookkeeping is often underestimated. More often the rule than the exception,

the small-business man seems to believe that bookkeeping is a useless adornment, one which only adds to his overhead—something which only his larger competitor can afford. He never stops to consider that comprehensible records can be made to "pay for their keep" in information which can be used in the constructive management of affairs.

The New Jersey investigators found that over 50% of those whose bookkeeping methods were studied kept inadequate records. "Of 408 businesses for which information was secured on this point 96 (25.5%) kept no books at all, 120 (29.4%) kept books which were inadequate for the purpose of showing the condition of the business, and 192 (47.1%) kept books which might be described as adequate. . . ."

It may be said, then, in all propriety, that the lack of proper records or of any at all has contributed largely to many failures. It can hardly have been a coincidence that most of the concerns whose failures were studied kept books which were said to be inadequate.

"But this is the age of the specialist." How often have we heard these or similar words. While specialized knowledge may be an essential of the mental equipment of a large-business executive, it sometimes proves to be an impediment to his small-business contemporary. For instance, a man with years of experience in the purchasing department of a large corporation might venture into the field of small business and fail. Such a man might place undue emphasis upon the buying function to the neglect of others and buy himself into bankruptcy. In fact, a specialist in a small business is wholly out of place. I know of three recent failures which were largely due to the fact that the men in charge put too much stress upon one phase of management—selling. They paid little or no attention to the others, which they thought of little consequence. These men were good salesmen and nothing else. It never occurred to them that their grab-bag buying and their trial-and-error methods of administration would overshadow their ability to sell. I here mention overselling and overbuying, not because they are necessarily the most serious breaches of good management, but mainly because they are believed to be the two most common causes of failure. "Over" anything else, of course, can be equally hazardous.

Even if I were capable of discussing the many phases of management, I could hardly do so here for lack of space. Besides, this

article is intended to be one of diagnosis rather than prescription. Moreover, anything that might be said would be perhaps only a repetition of the platitudes with which the most of us are already familiar. The whole field of management, as I see it, so far as it concerns the small-business man, can be summarized in a very few words: He must know something about almost everything related to his business, since it is not large enough to warrant his employing others experienced in the several branches—buying, selling, credits and collections, accounting, personnel, etc.—to assist him. In short, he must make himself an all-around executive, one who can wrestle with and solve the many problems of present-day management.

One of the most familiar cries of the small-business man these days is "competition." He considers it probably the most dangerous of his common enemies. Competition is, in most cases, however, an excuse for failure, rather than a cause of it. Conversely, competition sometimes has a good effect; it tends to lessen the number of failures by forcing the less progressive to put into practice in their own businesses some of the efficiency responsible for the success of their competitors. A further indication of the stimulating effect of competition, in some cases, is the fact that many businesses thrive in groups.

Proving that there is still virtue in the old adage, "In union there is strength," many kinds of businesses have found it profitable to band together for research in their respective fields. Cost, expense and earning figures are exchanged by the members of the various groups. Nearly all the large department stores—and many of the smaller ones also—are affiliated with the National Retail Dry Goods Association and the bureau of business research of Harvard for the mutual exchange of information beneficial to the trade as a whole. If small-business men were to organize themselves in a similar way, study the methods of their successful colleagues and make a serious attempt to analyze and to eliminate their own individual deficiencies, they would have little to fear from their imaginary enemies, the "chains" and the large independents.

It is conceded that the national recovery act has been rather disappointing to the "new dealers" generally in its failure to bring about a large measure of recovery. The inequities of the N.R.A., so far as they concern the small-business man, have been brought to our attention many times during the past year and

need no repetition here. Regardless of what we may say about it, it has at least stimulated the tendency of business generally to organize. Independent wholesalers and retailers are forming buying pools, which are nothing more than unions. The National Retailers Council is calling to arms retailers in all lines for the purpose of organizing to promote coöperative buying. As this movement gains momentum, the large national "chains" will have a powerful foe with which to reckon.

As I see it, all retailers—and this includes the "chains" as well—have most to fear the present tendency of consumers themselves to organize—to band together and deal direct with manufacturers and producers. This movement, in fact, is spreading rapidly.

But what, it might be asked, of the public's attitude toward the small-business man? Has it undergone any material change during this era of "scientific" management? As a lay observer, I would say that it has not; on the contrary, the public still has a deep affection for him, although he does not always believe it. The average consumer will continue to patronize him, provided he will put forth some effort to keep pace with the times.

About all that the "chains" and the large independents offer the public in competition with the small-business man are prices somewhat lower than his. Even this is a moot question, if we stop to place a value upon the service which the independent merchant often renders. Many housewives never seem to consider it. Let us assume that the "chains" do undersell him. Even so, the price differential is often negligible. In fact, the "chains'" low prices are in many instances a myth. When the difference is small, as is the case generally, it seldom offsets the personal appeal, that of the friend and neighbor. Everything else being nearly equal, the average buyer likes to transact business with someone whom he knows intimately, someone who manifests a genuine interest in his welfare and in that of his family.

Since the war many of the larger concerns have attempted to invoke the social aspect as a kind of antidote to competition. They have sought to employ clerks with a wide acquaintance in the city or town, chosen not for their business acumen or their knowledge of what their employer has to sell, but for their ability to "break down the customer's sales resistance." But somehow these concerns have not been quite able to imitate this air of friendliness, which is, and always has been, one of the small-business man's chief assets. The small-business man, it seems,

has a monopoly in the art of injecting a spirit of altruism into his dealings with those who patronize him. He does not always know, however, when it reaches a point of diminishing returns.

One never hears a discussion about competition nowadays without something said about the chain-store "menace." Many believe that the "chains" are threatening to make threadbare our whole economic fabric. This may be so; but I, for one, am not yet convinced of it. Although the chain-store scheme is nearly a hundred years old, it appears to be still more or less an experiment, in view of the number of changes in the methods of merchandising which may have been effected in the past decade and the number of stores which have come and gone in our cities and towns. Nor do the compilations of the bureau of the census, whose figures are probably the most trustworthy that we have, indicate that the business of the chains has reached the gargantuan size that many would have us believe. The census reported that in 1930 only 10% of the retail stores were chains and that they made 21% of the total retail sales. It reports also that their main activity has been confined to four or five retail businesses, principally groceries, clothing and shoes. The ill effects of chain competition, then, would appear to be more imaginary than real. At least, these figures should relieve the minds of those who have felt that the "chains" are gobbling up most of the retail business!

I do not mean to imply that the small, local merchants have not suffered from chain competition, for they have. There is scarcely a village or hamlet that does not have its "Dizzy-Lizzy" specialty store or its "Willy-Nilly" grocery, competing for a share of the meager trade. It is also true that the "chains," through their large purchasing power, their ability to employ competent people in all departments, and their careful control over stock and capital turnovers, have reduced to no little degree the sales and profits of the small storekeepers.

Whether the "chains" will continue to thrive remains to be seen. As Stuart Chase has said: "The 'chains' are locked in sanguinary struggles among themselves—there are just so many prize locations on main street." In his book *Prosperity: Fact or Myth*, written in 1929 and published in July, 1930, he tells us that in a survey of 500 independent grocery store failures, it was found that 65% were due to inexperience; 17% to fires, floods, robbery

and sickness; 17% to character breakdown; and that only 1.4% were due to competition. One's behavior, then, would seem to have something to do with one's success in business!

Today many problems confront the "chains." The most important perhaps is high rent. Many chain-store operators now have a veritable millstone around their necks in the form of leases at high rentals which were made when it looked is if the bubble of prosperity, radiating every color of the spectrum, would remain afloat indefinitely. The second in importance, probably, is that, in recent years, much propaganda has been spread depicting the chains' damaging effects to our community life and standards of living. To combat the enemy, independent merchants have enlisted their city, town and even their state officers and many consumers into a vast army, one ready to defend the home merchants against the "invasion." The state in which I live (Louisiana) has been recently added to the list of those that have enacted legislation aimed at the large national chains. The tax bill passed by the last regular session of the legislature levies a tax ranging from $10 to $550 upon each individual store in the state, depending upon the number of stores each owner operates all over the United States. The Great Atlantic and Pacific Tea Company, which operates about one hundred stores in Louisiana, will thus pay a tax of some $50,000 a year.

The local merchant's grievance against the chains is familiar to us all. For that reason I hesitate to repeat it. But since it is necessary in order to show the fallacy of it, I shall do so anyway. It is argued that the chains send away from the community all, or nearly all, the money they take in and that very little ever gets back to the local people by way of local expenditures. Even upon cursory analysis there seems to be little to support such an argument. The chains, like the home merchants, are dependent upon the communities in which they operate. If the community is not prosperous, certainly they can not prosper. The chains, moreover, can not monopolize the business unless they can greatly undersell their local competitors—which some of us believe they can not do.

The chains, as I view it, are presently caught in a vise—high rent on the one side and a steadily rising tide of prejudice against them on the other. And the grip on the tightening screw is held by none other than two of the home folk, the local real-estate owner and the local merchant. The former has behind him his

monthly maturing rent notes, and the latter his organized force of propagandists—his friends, neighbors and sympathizers.

It has not been my desire, as I have tried to make clear, to air the deficiencies of the small-business man. In this discussion of the causes of failure, I have attempted merely to show that most of the failures have been due, not to the small businesses having become antiquated, but largely to the small-business men themselves, who have been reluctant to follow a formula which might insure success.

The average small-business man has been slow to seek out the real cause of his adversity. In centering on what he believes it to be, he has accused, as I stated at the beginning, those who have little to do with it. Chains and independents larger than he have sprung up around him and from outward appearances have prospered, while he has failed to prosper; hence his confirmed belief that the competition they have given him has been wholly responsible for his inability to succeed.

Perhaps he ought not to be censured for believing this, since to blame others for that for which we ourselves are to blame is a most common trait of human nature. Rarely does one attempt a critical analysis of one's self and of one's own shortcomings. The real reason, I think, that the small-business man's perspective is somewhat distorted is that the transition of modern business has been gradual—too gradual for him to see the changes which have taken place around him and to recognize their significance.

In the past decade, business has undergone a complete transformation. The transformation has been for a makeshift tool to an intricate machine, a machine whose wheels have to be lubricated if it is to function properly. Guesswork, to put it plainly, has been supplanted by sound business methods.

The present economic dilemma has brought about many reversals of the old order. For one thing, control of many of the large concerns has passed into the hands of the bankers, whose ability to run them appears indeed questionable, if we stop to consider the wholesale bank failures during the three years preceding the bank "holiday." The utter collapse of the whole banking structure on the day the "new deal" took office should convince the most credulous that the bankers have their hands full getting their own house in order. Moreover, a great many of us are not so sure that the bankers are capable of managing alien businesses. While corporate stockholders may not be asking pertinent ques-

tions about dividends, they are still wondering why there have been such large shrinkages in the value of their holdings. This alone is causing both the bankers and the corporate managers deep concern, especially those of the former who sold or unwittingly recommended securities to their customers.

As for the chains, the depression has made it difficult for many of them to keep up the pace at which they traveled a few years ago. One of the largest, a drug chain, two or three years ago went so far as to champion a bill in the national congress to prohibit price-cutting, not only in its own field, but in every other. Thus we see, strange as it may seem, a nauseous prescription forced upon the one concocting it. Thus we see that price-cutting has reacted forcefully, if not forcibly, against one of those initiating the practice.

Obviously, in times like these it becomes necessary for executives, both large and small, to pursue a policy of retrenchment. And it is here that the small business has a decided advantage. It is more flexible; it can effect economies much quicker than the average big business and thus enhance its chances of survival. Many have done this. "Hard times," as Charles G. Ross said, in an article some time ago in the St. Louis *Post-Dispatch*, "have produced hard thinking." The small-business man who has thus far escaped the clutches of the sheriff and has managed to hold on to enough of his capital to enable him to carry on is in a strategic position, a far better position than some of his larger competitors.

Contrary to the belief of many, I see little evidence to support the theory that the small business will eventually be obliterated. Those who believe that the small business is going the way of some of our other traditions have not, I think, sought out the real cause of the many failures.

While the number of small businesses—or the number of larger ones, for that matter—may not materially increase until we can find some cure for our economic ills, everything points to a sturdier, sounder small business in the future. Many of the formerly successful larger businesses are now small businesses, and the depleted ranks of the small-business men are being rapidly filled in with recruits. These recruits, fall, roughly, into two groups:

First, we have the thousands of graduates of the schools of commerce of our universities who, upon entering college a few years ago, envisioned mahogany desks and fat salaries, which usually go with executive positions in the big corporations.

These would-be Rockefellers and Carnegies have had to go back home, whether they wanted to or not. In brief, General Motors' "loss" has been the general store's gain.

Secondly, we have those whom we looked upon some few years ago as "big-business" men, by virtue of their employment with the large corporations, who have since joined the ranks of the unemployed. These men, having been cast adrift by concerns whose executives thought it necessary to reduce their personnel to keep from failing or had uppermost in their minds the protection of that all-important personage, the stockholder, are opening up small businesses themselves. And—most encouraging thing of all—they are bringing their efficiency with them.