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ADDRESS

BUSINESS CONFIDENCE AND GOVERNMENT POLICY

Prepared by

ROBERT H. JACKSON

Assistant Attorney General of the United States

for

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I want to talk about one thing only tonight and to talk of that in the plain terms the subject calls for. I am going to speak of the responsibilities of government, in its relations with business, for the general well-being of the country. We hear much of the willingness of business to cooperate with government. We hear also of the desire of business that the government take steps to promote business confidence. These are, indeed, the two time honored planks in the program which big business has consistently urged since the rise of the great trusts in the latter part of the last century. I want to discuss these two simple and apparently foolproof slogans in the cold light of what they really mean - not to you and me according to their face value - but to the spokesmen of big business who profess to believe in them so fervently. I want to see if the cooperation and confidence which the monopolists ask for is the same as that which the merchant, the small manufacturer, the wage earner, the farmer, and the salaried and professional people want.

First, let us try to understand what big business really means by cooperation with the government. The best way to do that is to examine the actions - not the speeches - of big business during periods when it has been permitted to cooperate on its own terms.

Warren Harding obeyed the big business order, "Back to Normalcy" and set in motion an era of "cooperation" in which anti-trust prosecutions were conveniently neglected and taxes, so far as they fell on big business, were reduced by law or softened by administrative action. /Mr. Mellon as Secretary of the Treasury even cooperated to the extent of

successfully sponsoring a plan to return taxes that had already been collected from wealthy taxpayers.] The results of that cooperation, continued on through successive Republican administrations, were an increased monopolistic control of our industry and economic life and a consequent decrease in the purchasing power of the great numbers of our people - a development which made inevitable the terrible depression which overtook us in Mr. Hoover's time. Was that cooperation in the interests of the small manufacturer who found his raw materials increased in price by the great steel, cement and copper combinations while at the same time the purchasing power of his customers was dropping? The country as a whole knows the effects of a cooperation which means simply that the Government is to let monopolies alone. The governmental cooperation that the small business man wants is a different kind of cooperative effort - assistance to him in making the monopolies leave him alone.

Mr. Lamont du Pont has recently asked for governmental cooperation. The people want to make sure that Mr. du Pont does not mean the kind of cooperation that Mr. Pierre du Pont so aptly summarized in a letter of November 1, 1918 to Mr. E. G. Buckner, Vice President of du Pont Co. In that letter, which was disclosed in a Senatorial investigation, Pierre du Pont said it was the duty "of our officers and directors to endeavor to win reasonable profits for the stockholders. That is only part of our duty, but we cannot assent to allowing our own patriotism to interfere with our duties as trustees." At the time he wrote of his duties Mr. Pierre du Pont was not only a trustee for the du Pont stockholders but one of the ten largest holders of the company's common stock.

He spoke during one of the most notable instances of cooperation between government and big business on the latter's own terms. Upon our entry into the World War President Wilson, recognizing the urgent necessity for cooperation by the entire nation, accepted the proffered cooperation of big business and established the War Industries Board to coordinate the country's economic life.

The career of the War Industries Board was accomplished by almost continuous appeals by President Wilson and by the Board itself to big business to keep prices down so that goods might continue to flow to the trenches and among the home population on whose activities production depended. Meanwhile, as the Government's contribution to cooperation, anti-trust prosecution was abandoned, the government paid for its purchases pretty much what was asked and general prices were fixed at profiteering levels, because big business would not "cooperate" on any other terms. The results of that cooperation were a further stride toward monopoly by the biggest aggregations of capital in American industry and a ghastly waste of the nation's money under pressure of war.

I say in plain terms that the American people do not want our Government to undertake that kind of cooperation. What big business has previously done in the name of "cooperation" is too well remembered for us to commit ourselves to it again in the dark.

Fortunately some of the leaders of modern industry have also learned from past experience. They recognize that their own prosperity is always tied to that of the country as a whole. They have learned that the only way to ensure a reasonably steady well being for the nation as a whole is

for Government to act as an impartial overseer of our industrial progress, ready at all times to call a halt to monopolistic practices which threaten to throw our whole economy out of order. They know that monopoly prevents continuing production at reasonable prices, but means instead the maintenance of a rigid and unwarrantably high price level for the products of monopoly, which in turn necessarily cuts production by small manufacturers requiring steel, copper, coke, cement and other basic products for their own operations. I urge the American people to examine carefully all offers of "cooperation" by big business to the Government, to see whether such offers are the old fashioned monopolistic offers of cooperation on monopoly's own terms or whether they mean the genuine cooperation in the national interest which this administration is always ready to accord.

This brings me to the plea made by big business that Government should restore business confidence. Again let us examine what is really meant by this slogan. Big business has been continually demanding the cessation of Governmental spending. Big business said repeatedly over the past few years that if the Federal Government would reduce its expenditures, business confidence would revive and as a result private industry would more than take up the slack.

Now what happened? Government took big business at its word. In the past fiscal year the governmental net contribution to purchasing power was reduced about \$275-million a month -- on the assurance and expectation that business activity would make up for the reduction. Business was offered a chance to do what it said it would do and most small business men and some of our great industrialists conscientiously tried to carry out the promises which had been made in the name of American business.

But monopoly, by trying to skim all the cream of the recovery for itself, belied the plain meaning of its promise. Monopoly prices and monopoly profits jumped beyond all reason and way above the price level that small business could get. Such articles as coke, cement, chemical products, processed meat products, and iron and steel rose in price above their 1929 price levels. These were in large part prices only big business could get, prices small business and consumers were forced to pay. When those big businesses demand "confidence" that they can continue to get such prices, their demand is that small business and buyers accept a life sentence to pay such prices.

The confidence properly sought by the independent merchant and small manufacturer is a wholly different thing. He wants to be confident that he can secure his goods or his raw materials at reasonable prices and that his customers will have the jobs and wages to pay him fair prices. He has done no profiteering at the expense of national recovery. It is the monopolists, and those so near monopoly as to control their prices, who by profiteering have simply priced themselves out of the market, and priced themselves into a slump. When the business goes into a slump, the workmen go home without jobs. When workmen go home without jobs the grocer, the baker, the clothier and all the rest have lost their customer. When the customer is lost the merchant cancels his orders for goods. And when the cancellation reaches back to big business where it started, the big business man clamors that government should give him confidence.

We must remember that the call of "Back to Normalcy" is not a

bold, or an untried or even a noble experiment. The record of what happens when government plays second fiddle to big business is clear and fresh. A balanced budget alone is not enough to prevent recessions. We had a balanced budget when the last depression came. We have to keep our balance in other things as well as the budget. We have to keep a balance between prices and purchasing power, a balance between production and spending, a balance between living costs and wages, a balance between what big business demands and what small business can stand. Monopoly and big business has thrown us off balance in these things and this is the cause of our discontent and unsettled confidence. The effort of big business spokesmen to screen their operations by accusing the administration does not appeal to the sportsmanship or the intelligence of those who watched prices the early part of this year.

Now I turn to the government's responsibilities toward the business world of today.

These are not difficult days, measured by what we have gone through, and what other parts of the world are going through. Even former President Hoover said less than ten days ago: "This recession need not be serious". But we are going through uncomfortable days--days in which the bulk of the population needs protection both as consumers and as holders of jobs.

We are not running into a major depression today. The government not only knows it must step in, if necessary, if private enterprise cannot adjust to conditions, but the government is organized to do so at any time, as it was not organized in the emergency days of 1933.

Today we find an absence of those difficulties and of those conditions which produced the last depression. We have not scattered through the country a flood of wild cat securities. We have not been exporting billions of dollars to foreign borrowers. We do not find such excess plant capacity or such over-production of goods as in 1929.

Our financial institutions by and large, are on secure foundations. They are loaded with an excess of cash instead of an excess of questionable securities and frozen assets. Unemployment compensation systems are for the first time in our history soon to begin disbursements that will help combat deflation.

In addition labor is recognized and can justly be asked to cooperate in the public interest. Farmers, with a few local exceptions, are better off than usual. Foreign trade is expanding markedly.

We can have no serious recession if we do not exclude by unemployment a large part of our labor resources from production and thereby exclude the unemployed workers from our exchange system.

How can American business bring all American workers and consumers into an exchange relationship?

Although the consumer's income is about a third less than it was in 1929, big business is asking the consumer to pay more for their goods than they did in 1929. In September if a consumer wanted to build a home, he had to pay 11% more for cement, 5% more for steel, 4% more for lumber than he did in 1929. For some building materials he had to pay even 100% more than he did in 1929.

I know how the impression has been given that the steep price rises of the last year have been due to wage increases forced upon industry by the new growth of labor unions. From what I think I know--that impression is not accurate--or at the most only half accurate. Take for instance the most dramatic wage increase of the year--the 10% wage increase in steel. I have in Washington a detailed and authoritative study as to increases in steel prices, wages and costs between April--June 1936 and April--June 1937. This study shows that the increases in iron and steel prices, effective December 1, 1936 and March 1, 1937, were three times as great as necessary to cover the increased wages paid to steel workers and at least twice the amount necessary to cover the increases in the cost of both labor and raw material during the same period.

The wage increases alone could have been covered by an increase of 5.5% in prices.

The total increase in steel plant wages and in higher costs of materials which would reflect wage increases elsewhere could have been covered by an increase of 9.1% in prices. But the actual increase in steel prices according to this expert, was not 5%, not 9%. It was 21%.

How can we have a housing program under such conditions?

If big business insists on pricing itself out of the market and unemployment grows, the demand will become irresistible for more rather than less government expenditures. Increased government expenditures will mean increased taxation, and big business which already controls half of the corporate wealth of the country will have to bear the major part of that burden.

Mr. Lamont DuPont names labor trouble as one of the most important difficulties of private enterprise today. Does private enterprise stop to consider how much of our labor troubles are with us simply because too much of private enterprise took an attitude of obstruction, evasion and avoidance toward the labor laws of twenty years ago and the labor laws of three years ago and prevented the labor problem from being worked out by law before we had to meet a host of other problems?

Bringing up past mistakes isn't a substitute for a method of settling our present labor difficulties. But today's situation, I am sure, cannot be intelligently appraised except against its background.

During thirty years a movement for collective bargaining has obviously been in the making. In England, government let it come and took control of it. Intelligent political science would have required that during all those years, government experience with the movement should likewise have been growing in our country---in the insulated chambers of the states or even through tentative Federal statutes. On the contrary the success of those who wanted to keep government out of business in the labor field has produced a situation where we meet full-grown difficulties in establishing collective bargaining with hardly any previous government experience.

When labor unions first came into existence, for instance, they were treated as criminal conspiracies to obstruct the right of the individual employer to lay down terms to workers which they could take or leave.

Court decisions continually encouraged the belief that it was industry's constitutional right to refuse to deal with labor unions. Many employers themselves organized to protect that supposed constitutional right. They spent stockholders' money to propagandize what they mis-named the "American

plan," to bargain individually with their workers. Some powerful employers, as the present LaFollette Committee's investigations have shown, engaged detectives and spies to ferret out union members; and if unionism nonetheless made headway, these employers did not hesitate to use strike-breaking thugs against their own workers.

However sincere they may be, industrialists who have for years fought any and all forms of independent unionism cannot expect the workers to accept their warnings against cooperating with national labor organizations.

The net result is that we have lost costly and critical years in the long and difficult process of developing orderly, responsible industrial relationships.

There is no complete "solution" for the industrial problem. There are a multitude of adjustments to be worked out now when they might have been worked out during the thirty years behind us. The evils wrought by thirty years of bad law and bad industrial relations cannot be rectified over night.

In the process there is sure to be some difficulty between labor and industry and between different groups of organized labor. The transition period at best will not be painless.

Economic power in this country does not reside in the mass of the people. Economic wealth is alarmingly concentrated in a few, and its management is even more centralized. About one-half of the wealth of the country is in corporate form, and over half of the corporate wealth of the country is controlled by two hundred corporations, which in turn are controlled by what a commentator has called "America's Sixty Families."

Private enterprise in such a form the American people fear. Their fears produce the laws regulating business in this country. Until big business can reconcile its attitudes with the aspirations of our people for democracy and freedom from arbitrary economic power the suspicion of the masses will find their way to the statute books.

What should government do in the present situation?

In my personal opinion it would give private enterprise all the assistance and encouragement that can be given, without sacrificing the progress toward the preservation of American democracy which we have made in the last six years. It can give financial assistance to help private enterprise break into new fields like housing. It can correct specific inequities in the application of tax laws, without, however, abandoning our American doctrine that taxes shall be paid in proportion to ability to pay.

But we cannot and will not surrender the rights of the average man gained under the New Deal, merely because the few insist on trading the last ounce of concession out of government as the price of putting their capital back to work.

There is going on in the big business world something of the process that hit the political world in 1932. The Old Dealers in industry with their blindly stubborn domination of labor, and resistance to government, and disregard of consumer welfare, and ruthlessness toward small business, are going the way of the political old dealers. New leadership arises in business which sees that it can only prosper with the people, not without the people. It is this hope of a broader vision of responsibility on the

part of newer business leaders, that promises better relations between business and labor, better relations between business and government, better relations between business and the consumer, better relations between big business and small struggling business. Big business simply can not afford a war on so many fronts. Stockholders of big business can not afford leaders who can not keep the peace with anybody. We can't be convinced that everybody is out of step except big business.

For the immediate future, for protection against the cruelties of any temporary recession that we may have to face, I have no fear because I am sure that the President and the Congress, if it follows his leadership, will not let the people down.