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NOTES FOR ADDRESS ON COOPERATION WITH BUSINESS

Voices are being raised--powerful, insistent voices--to complain that government is not cooperating with business; that government is hostile to business; that business is held in restraint by government; that government is impeding rather than furthering the processes of recovery and prosperity. Some industrialists and financiers in our great manufacturing and money centers are making a great to-do because the pace of business is not yet fast enough. They could make it faster, they say--and the part of the press that takes its cue from them echoes their words--"if government would only cooperate."

This complaint is being made an issue in the campaign on which the major political parties of the country are now engaged. It is being made a party issue. It is against the Democratic Party, as the maker of governmental policy these past three years and the party traditionally opposed to special privilege, that the complaint is made and the issue raised. It is to the opposing party that the thriving but complaining industrialists and financiers look, confident of sympathy, for the kind of "cooperation" they have received from that party in the past.

I think it is unlikely that many persons will be deceived by the fine feathers of cooperation in which the figure of special privilege has thus been decked out. A noted French poet has

said that a single word often betrays a great design. So it is with this word "cooperation" on the lips of men accustomed to policies at Washington and to practices in Wall Street that led to swollen fortunes and to great concentrations of corporate power.

The intelligence and sober judgment of our people, and especially of our small business men and farmers and workers, will discern, I am sure, what those men mean who demand the cooperation of government with business, but who challenge and resist every effort of government to protect the rights of the people in their struggle for existence, every effort of government to lessen the enormous inequalities that characterize this age of corporate domination of business opportunity.

The persons who complain, mistakenly, of a lack of cooperation on the part of government have yet to learn what the word cooperation really means. They think of cooperation as a one-sided affair, in which they are to do what they wish to do and government is to do what they wish it to do and refrain from doing what they do not wish it to do--as if government existed only to serve them alone instead of being, as Burke has fittingly defined it, "the Nation in its collective corporate character." At times their idea of cooperation is for government to grant some protection or exemption, some subsidy or guaranty, some shift in the tax burden, for the special

advantage of this or that group in industry or finance. More often, however, what they mean by cooperation is not some positive act of assistance on the part of government, but a negative policy.

This negative or do-nothing kind of cooperation, so called, is what they are demanding now. They would have government stand aside, close its eyes, and let business have its own way. They want to be assured that there will be no governmental interference, as they call it, with business. Now that their own profits are rapidly rising and their memory of the depression years is conveniently dimmed, they want no further governmental participation in shaping the course of business, no effort by government to promote general stability and security, no governmental insistence on a regard for humanitarian and social considerations in the conduct of business.

Nowhere in all their talk about cooperation do we find any hint of a realization on their part that cooperation is a game two or more must play, that government cannot play it alone. Yet the meaning of the term is in fact very simple. To cooperate is to operate together for a common object. Cooperation between business and government means, if it means anything, joint action for the good of the country as a whole. It means working together to protect and promote what is good in our economic life. It also means, no less, working together to combat and prevent what is

against the common interest. It means working together to remove as far as possible the conditions that threw the country into industrial and financial chaos from 1929 to 1933. It means joint action to check those developments and tendencies in our industrial and financial life that give some men an unfair advantage in business over others, that enable the crafty and unscrupulous to exploit workers and consumers and investors, that frustrate the efforts of ordinary men and women to earn a steady livelihood and make some provision for the future.

Some of our great industrialists and financiers, those who are now loudest in their complaints, seem never to have heard of that kind of cooperation between government and business. It has not been their habit, either in recent years or in the longer past, to uphold the hands of administrations that have sought to improve the condition of the great masses of our people. They have never been willing to concede, when a measure affecting business practices was at stake, that the interest of all the people comes first. The greater stability and more equitable profit of business as a whole has never been their idea of the common object for which government and business might cooperate.

On the contrary, whenever government has set out to raise the standards of business or financial practice, or to lessen

the extreme inequalities of economic opportunity, government has met repeatedly with the solid and determined resistance of an imposing array of great industrialists and financiers, and of those national associations which they dominate, and of newspapers and periodicals that echo their views. Opposition, not cooperation, has been the instinctive and habitual attitude of such organized business toward liberal and progressive government. Fortunately, there are some great leaders of business and finance—all too few in number—whose vision is broader, whose understanding is greater, who neither join in nor sympathize with this blind opposition.

No administration that has dared question the unregulated workings of self-interest in corporate practice, or the unrestricted growth of corporate power without corporate social responsibility, or the unrestrained piling up of huge personal fortunes and concentrated corporate wealth at the top of industry and finance while the great mass of our business men and workers experienced increasing instability and insecurity—no administration, I say, that has called into question these grave defects and dangers in the functioning of modern business, has escaped the charge of being hostile to business, of interfering with business and hampering its progress, of shaking the confidence of capitalists in such a way as to cause them to hold back magnificent schemes of expansion and employment. No liberal and progressive administration has ever escaped the bitter hostility and hatred, the

harsh invective and scathing ridicule of this sort of organized business and its journalistic allies.

Let me recall to you a few memorable measures that were adopted within recent times against the determined opposition of large groups of industrial and financial leaders, their business organizations and their newspapers during the administrations of two great liberal and progressive Presidents, Theodore Roosevelt and Woodrow Wilson—two great champions of individual freedom and enterprise who placed human rights above corporate privileges and challenged the menacing concentration of corporate power and large personal fortunes in the hands of men indifferent to the means by which their wealth and power were obtained.

The measures that I shall mention were all regarded even by many honest, intelligent, but misguided business men as unwarranted and dangerous interference by government with the freedom of business enterprise, as hampering and harmful to business, and as obstacles to prosperity. Yet after the enactment of these measures the national wealth and income continued to grow enormously, and the productive capacity and efficiency of our people reached heights that had never before been attained. Today business men accept these measures as matters of course, and all but the most extreme reactionaries concede them to be indispensable to the public interest and the national welfare.

The act creating the Interstate Commerce Commission was passed by Congress in 1887. It was regarded on the one hand as the culmination of a long fight of the agrarian ~~West~~^{West} against the exploitation of the railroads by the financial and industrial ~~East~~—against the manipulation of railroad systems and railroad securities, against freight and passenger rates levied on the principle of charging all the traffic would bear, against secret rebates and other discriminations by which especially favored corporations and individuals profited at the expense of passengers, shippers and consumers generally. The opponents of the act, on the other hand, denounced the measure as nothing short of confiscation—an indefensible ~~invasion~~ of the property rights of the railroad companies and the owners of railroad securities.

So great, in fact, was the power and force of the opposition, so successful were the efforts of the railroad^s interests in their resistance to the lowering of rates on interstate shipments, so hampering to the efforts of the Interstate Commerce Commission were the adverse court decisions and the subsequent indifference of Congress, that for nearly twenty years the essential purpose of the act was nullified. What had been intended in 1887 to be a commission to protect the interests of small business men and farmers and the traveling public, was reduced simply to an investigating body, restricted by the courts from taking any effective action to remedy the discriminatory prac-

tices and the excessive rates disclosed by its investigations.

In consequence, it was not until 1905, during the first term of President Roosevelt, that a law was passed to put an end to the practice ^{by} of the railroads ^{of} granting rebates to favored shippers. It was during his second term, and at his instigation, that Congress, in 1906, authorized the Interstate Commerce Commission to nullify rates that it found to be discriminatory or unreasonable. It was at this time also that the discriminatory practice of issuing passes to favored travelers was prohibited, that provision was made for the publication of railroad schedules and rates, and that the Interstate Commerce Commission was empowered to investigate the ownership by railroads of stock in other corporations, including particularly coal and oil companies.

As one of Theodore Roosevelt's biographers has well said, these laws are likely to stand historically among our epoch-making legislation. ^{But} How could Theodore Roosevelt have cooperated with the powerful industrial and financial interests that opposed this epoch-making legislation? Only by doing nothing, only by promising that government would not interfere with that kind of business.

The Sherman Anti-Trust Act was passed by Congress in 1890. Like the Interstate Commerce Act, however, it remained virtually a dead letter for more than a decade. Huge industrial combinations continued to be formed and to reach out for the control of competing

concerns, with scant regard to whether that control was obtained by fair means or foul. The means of production in important fields of industry were absorbed, competitors were bought out for a song or driven to the wall, the public was exploited by price-fixing methods that flouted the principle of free and fair competition. Against these monopolistic combinations in restraint of trade--the oil trust, the sugar trust, the meat trust, the leather trust, the rubber trust, the tobacco trust, the match trust, the whiskey trust, and so on--unorganized sellers and buyers of goods and services, the individual business enterprise and the small corporate enterprise, the vast majority of workers and the whole body of consumers, were powerless.

Is it to be wondered that Theodore Roosevelt denounced as malefactors of great wealth, and enemies of society, and corrupters of politics, the business men who had been so long defiant of the public interest and the public law? Nearly everyone will agree nowadays that his vigorous prosecution of the anti-trust law was abundantly justified by the danger to free business enterprise that the rapid growth of these great industrial combinations represented. But at that time--only some thirty years ago--the cry of persecution went up from organized business and its minions of the press, the President was unsparingly assailed as a mischievous and destructive crusader and reformer, and the powerful leader of the

first of the great combinations against which suit had been successfully prosecuted, on the President's initiative, complained bitterly/ (and I quote) "that we should be compelled to fight for our lives against political adventurers who have never done anything but pose and draw a salary."

Government cooperation with business? There was only one way in which the rough-riding "trust buster" could have co-operated with business. That was to do nothing. The only way he could have inspired confidence in his administration on the part of the Napoleons of industry and finance was to betray the public trust. But Theodore Roosevelt was a public servant of plain words and plain purpose. "I neither respect nor admire," he said, "the huge moneyed men to whom money is the be-all and end-all of existence." And again: "The growth of intelligence and the diffusion of wealth in such a manner as will measurably avoid the extreme of swollen fortunes and grinding poverty--this," he wrote, in the sixth year of his presidency, "is the idea toward which I am striving."

The idea that the powers of government might be used, not only to restrain the excesses and abuses of predatory wealth, but actually to accomplish a more equitable distribution of wealth, seemed revolutionary both to great numbers of men in business life and men in public life when Theodore Roosevelt was in the White House. Such a political or economic doctrine is still abhorrent to many of our

great industrialists and financiers and publishers, and to men in public life who reflect their views. But the idea that Theodore Roosevelt expressed is one that many of us--most of us, I hope--firmly hold to. We perhaps have today an even clearer understanding, growing out of our experience in the 1920's and the ensuing depression, that the piling up of huge personal fortunes and corporate wealth, without providing a continuous widespread diffusion of purchasing power to the great masses of our people, is not only bad social policy, but bad business policy as well.

In these days it does not seem to our housewives a revolutionary thing that government should provide for the inspection of meat^y and food products that are shipped from our packing houses to shops and warehouses throughout the country. It does not seem to these housewives an obstacle to prosperity and a menace to free institutions and the American way of life that government should legislate against impure and adulterated and misbranded foods and drugs. Some of our business men and publishers and advertising agencies still resist strenuously when the effort is made by government to improve and strengthen these laws, but for the most part our business men, no less than the women of the country, accept the Federal inspection of meat and the Federal regulation of foods and drugs and liquors as measures of humane social policy and as necessary to the protection of the public health and safety.

But these are measures that were put on the statute books only in the second term of Theodore Roosevelt, after the conditions in the meat-packing industry had become a national shame and reproach. The attitude then of much of organized business toward this interference of government with the freedom of business enterprise is described by a celebrated historian in the terse observation that the food, drugs, and meat laws "were enacted in 1906 with a din that seemed to shake the pillars of heaven." Only a do-nothing policy would have satisfied the business men by whom these measures were opposed.

The income-tax law, which is now an accepted part of our Federal fiscal system, bears in many respects the distinct mark of the Democratic Party, though in the long, hard fight to establish the principle that taxes should be levied on the equitable basis of ability to pay, the progressive Republicans of the first decade of the present century carried their full share of the battle. It was in 1894, in President Cleveland's second administration, that a Democratic Congress first enacted an income-tax measure. But twenty years were to elapse before income taxes were actually paid into the Treasury.

The attitude of great business organizations toward the tariff and revenue act in which the income tax was first provided, and in which the tariff provisions were far from the reforms that President Cleveland had contended for, is best expressed in these words of his

public statement on the act: "The trusts and combinations--the communism of ^Pself--whose machinations have prevented us from reaching the success we deserve, should not be forgotten nor forgiven."

The determined resistance of such organized business to an income tax did not abate after the law was enacted. It was only a matter of months before the Supreme Court, by a five-to-four decision held the law to be unconstitutional and the Federal Government without power to levy a tax on incomes.

Arguing before the Supreme Court, one of the great leaders of the Republican Party declared: "The act of Congress which we are impugning before you is communistic in its purposes and tendencies and is here defended upon principles as communistic, socialistic--what shall I call them?--populistic as have ever been addressed to any political assembly in the world." The Justice who wrote the majority opinion of the Supreme Court referred to the act as an "assault upon capital."

It is instructive to recall also the views expressed then by some of the newspapers that have been most belligerent in ^{their} attacks on relief and recovery measures.

"Thanks to the Court," said one of these newspapers of the defeat of the income tax law, "our government is not to be dragged into a communistic warfare against the ^{rights of property} ~~rise of prosperity~~ and the re-

wards of industry." Said another of these newspapers: "The wave of the socialist revolution had gone far, but it breaks at the foot of the ultimate bulwark set up for the protection of our liberties. Five to four the Court stands like a rock." The picture of a rock standing five to four is not without humor, but even newspaper editors, when they become emotional and excited, sometimes lapse into curious figures of speech.

But if advocacy of the income tax was communism, as was then alleged, the country, slowly but surely, was going communistic, and Theodore Roosevelt and Woodrow Wilson were among the communists. By 1909 the public demand for the measure was so great that a coalition of Democratic liberals and Republican progressives was able to compel a reluctant Congress to submit to the states an income tax amendment to the Constitution. Within four years a Democratic Congress under President Wilson promptly enacted the first revenue measure under which wealth was made to pay its fair share of the Federal taxes.

Now there was a twenty-year struggle to establish a principle of taxation that today nearly everyone regards as just and reasonable, however much some of the more favored of fortune may grumble when the principle is applied in practice. Suppose that this great struggle were just beginning today? Would ~~these~~ ^{these} same spokesmen for organized business be any more willing to accept the principle now than ~~they~~ ^{they} were during the twenty-year struggle of the past? Or would they denounce the very suggestion of an income tax as an attack on business,

as a fatal blow to industrial and financial confidence and business recovery? The only kind of governmental cooperation that would have satisfied these ²professed leaders of business when the income tax law was at issue would have been for government never to have put that law on the statute books.

The return of the Democratic Party to power in 1913 under the leadership of President Wilson was signalized by one of the most far-reaching and most constructive legislative programs ever enacted by Congress in any period of the country's history. Besides the income tax law that I have just mentioned, a tariff reform that was 50 years overdue was effected, the banking and currency system was reorganized and the Federal Reserve System established, the Federal Land Bank System and the Federal Trade Commission were established, the anti-trust laws were strengthened and a curb put on interlocking directorates, the issuing of railroad securities was brought under the regulatory powers of the Interstate Commerce Commission, the Seamen's Act was enacted to improve the conditions of workers on our merchant ships, the eight-hour day was established by law for railroad trainmen.

These are some, but not all, of the measures of those few years preceding our entry into the World War, and carried through for the most part after that war had begun. Most of you must still remember how solid a front organized business and banking maintained against every step in that program. For some of you who may not remember, let me quote,

very briefly, a few words that will themselves sound familiar enough.

When the Wilson Administration had been in office little more than a year, one of the great journals that is something of a Bible in Wall Street remarked that there had been one consolation when war with Mexico had seemed almost inevitable. That consolation for the prospect of war with Mexico was, to quote this journal, "that perhaps Congress and the benevolent theorist who dominates Congress in such an extraordinary degree might be so much occupied with the problems of a real war as to relax their attempts to throttle industry and trade under the name of cure."

At this same time one of the great State associations of business men and bankers went on record with a statement that has done yeoman service for many an industrialist, financier, and editor—namely, that (and I quote) "business needs nothing so much as a term of rest." The annual convention of a national association of industrialists, also in session at that time, solemnly adopted the well-worn resolution that "hostility to business must stop." An association of bankers, in a long petition addressed to the House Judiciary Committee, protested that to prohibit interlocking bank directorates would "do more to tear down and lower the tone of bank management in this country than anything which has occurred in all the years gone by." In a referendum on the Clayton Anti-Trust Bill, the membership of

our largest national association of business men voted 531 to 22 (and again I quote) "that there should be no attempt by statute to forbid discriminations in prices of commodities."¹

Of all the measures in the notable legislative program of President Wilson's first term, that which was most vindictively assailed and most strenuously resisted by a great array of business and banking interests and the big business press was the Federal Reserve Act. Describing the bill put forward by Senator Glass, then Chairman of the House Banking and Currency Committee, one of the great Wall Street newspapers, whose views were typical of the rest, had this to say (I quote):

"It is difficult to discuss with any degree of patience this preposterous offspring of ignorance and unreason, but it cannot be passed over with the contempt it deserves. It is a serious matter for the country, and public opinion should be aroused against it. Men of knowledge and judgment in banking and in business should visit it with their condemnation and, if possible, drive the committees of Congress to abandon the progeny of fanaticism."

Now I need hardly remind you that the very same interests which had used every resource at their command to frustrate this measure that was, to them, the most obnoxious in the Wilson program, came in time to be its firmest friends and most ardent champions--so much so that when its own author, Senator Glass, proposed to amend it after the collapse of the speculative orgy that he had so long and prophetically condemned, the banking and financial

community and the whole Wall Street press rose in alarm to protest that the Federal Reserve Act was the bulwark of banking liberties and must be preserved, defended and maintained intact, without change.

In short, opposition is the fixed habit of this type of business and banking leadership and their leagues and associations and newspapers. They know no other course where liberal and progressive government is concerned. They talk cooperation of government with business, but they mean inaction--the inaction of government that is special privilege of the most coveted kind. Such ~~pretended~~ *the reactionary business men class of business men* spokesmen for ~~business~~ do not want in public office men who will dispute their arrogant claim to direct and dominate the Nation's economic life. They do not want--they actually fear--individual enterprise and equality of opportunity. *and with both business and government acting* Active, vigorous, and resultful cooperation in the public interest, ~~between business and government~~ *is beyond their comprehension.* ~~Long~~ *this* experience has made *only* too evident. Cooperation between government and business was attempted early in the depression. There was in the early winter of 1929 an undertaking on the part of business to maintain wages and to divert to industrial construction part of the huge capital funds hitherto employed in speculation. On the part of the Administration at Washington there was an undertaking to stimulate the construction of public works by the Federal, State and local govern-

ments. There was a conference with business and banking notables, and there was a committee of cooperation. There was even a message to Congress about the obligation of government to support the public welfare and about voluntary measures of government cooperation with business already initiated. "I am convinced," said the President to Congress on December 2, 1929, "that through such measures we have reestablished confidence."

Two and a half years later, on August 26, 1932, there was another conference to which industrial and financial leaders were brought ^{to Washington} from all over the country. In the morning there was a program of congratulatory and reassuring speeches, in the middle of the day there was an outdoor luncheon, and in the afternoon various groups met separately for informal discussions. Then the industrial and financial leaders returned to their homes wondering ~~still~~ what the momentous program of action was that had brought them to Washington. It still remains unrevealed.

Another cooperative movement midway between these two conferences was the C.R.O., or Citizens' Reconstruction Organization. ^{and a very affable and well known Mid-Western publisher was} It was called ^{into} being by the President ^{to combat the} ~~the~~ ^{of} hoarding ^{occasioned by} bank failures. There were more encouraging addresses, but despite these the sale of Reconstruction Bonds, devised to bring money out of hiding, was not distinctly successful, ^{On the contrary,} and the hoarding of money steadily and alarmingly increased.

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I mention these conspicuous examples of cooperation between government and business during a period that is still fresh in our minds, not to ridicule them, but for purposes of contrast. For business has not lacked the cooperation of government during these past three and a half years. ~~On the contrary,~~ ^{in fact} there has never been a period in our national life when the positive measures of government in aid of industry and trade and banking were more numerous or more quickly effective. The profitable state of business today, with recovery proceeding at a rate that the most sanguine optimist among business men would not have anticipated three or four years ago, is the visible and tangible evidence that the complaint of government hostility to business is a hypocritical sham. It has no more justification now than it had when Theodore Roosevelt or Woodrow Wilson ^{was} ~~were~~ President. The issue that has been raised is as false now as it was then.

Legitimate business has nothing to fear from liberal and progressive government. The economic ideals of democracy are not in conflict with the free and fair development of individual initiative and business enterprise. The increase of the national wealth and of the public prosperity and security, the preservation of a fair field and equal opportunity for the young men and women of each rising generation—these are the very essence of democratic policy. What business does have to fear; what government has to fear and heed, is

the failure of our national wealth to increase, the failure of our people to prosper and be secure in their work, the failure of the door of opportunity to remain open to the young men and women on whom fortunate circumstance has bestowed no large personal wealth or great powers of corporate control.

We in America have a combination of natural, industrial, financial, and human resources such as no other people are endowed with. We have the capacity, as well as the vast machinery and equipment, for producing abundantly the necessities and comforts of modern life. We have the means, not of swollen wealth for all our people, but of a good livelihood and reasonable security for all our people.

Most of us, I believe, propose to realize the great benefits to all of our people which it is possible to achieve under our democratic institutions through genuine cooperation between government and enlightened business leadership which not only professes but practices true democracy.