

# Town Meeting

BULLETIN OF AMERICA'S



TOWN MEETING OF THE AIR

## Can Business and Government Work Together Today?

FLOYD B. ODLUM

ROBERT A. TAFT

WILLIAM McC. MARTIN, JR.

JEROME FRANK

*Broadcast from Town Hall, New York City, December 7, 1939,  
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Mr. Odlum . . . . .	4
Mr. Martin . . . . .	8
Senator Taft . . . . .	12
Mr. Frank . . . . .	16
The Audience Takes a Hand . . . . .	21
Selected Bibliography . . . . .	30
War, Peace, and the United States . . . . .	31

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# "America's Town Meeting of the Air"

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UNDER THE DIRECTION OF

GEORGE V. DENNY, JR., MODERATOR

ONE of the earliest forces for political education and action in America was the "meeting house" in which every citizen had a voice in his government. "America's Town Meeting of the Air" is the modern adaptation of this idea, brought to Americans everywhere through the instrumentality of radio. Now in its fifth season, this program is broadcast in coöperation with the NATIONAL BROADCASTING COMPANY from the TOWN HALL, New York, on Thursday evenings from 9:30 to 10:30 E.S.T., over the Blue Network.

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# Town Meeting

BULLETIN OF AMERICA'S TOWN MEETING OF THE AIR

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## Can Business and Government Work Together Today?

*Moderator Denny:*

GOOD EVENING, neighbors. If the shadow of war clouds the discussion of our domestic problems in these days, it is well for us to remember that if we are to avoid a fate similar to Europe's we must learn to make democracy work within our own national boundaries and resolve our disputes at the conference table where justice rather than force is the criterion. "The strife of opinions . . ." say Dr. and Mrs. Overstreet in their book, *Town Meeting Comes to Town*, "has nothing in it of the brute fight to overmaster and destroy. Such fighting, having force as its criterion, is the way of barbarism. For in it the loser only loses. The fight of ideas, on the other hand, is the way of civilization. For in this fight, he who loses, loses to truth and thereby wins. This kind of fighting is good for everybody." It is in a spirit of highest patriotism that we present our discussion this evening on the subject, "Can Business and Government Work Together Today?" In this symposium, four dis-

tinguished Americans—two businessmen, a United States Senator, and a Government official—are going to contribute their thoughts on ways in which business and government can work together in the common welfare today. Our first speaker is Mr. Floyd B. Odlum, President of the Atlas Corporation. Our second speaker is the President of the New York Stock Exchange, Mr. William McC. Martin, Jr. The distinguished United States Senator from Ohio, the Honorable Robert Taft, will be our third speaker; and we will hear finally from Mr. Jerome Frank, returning to the Town Hall platform this year in his capacity as Chairman of the Securities and Exchange Commission. There will be the usual questions from members of our representative audience of more than fifteen hundred people following the addresses. I now take pleasure in presenting our first speaker, Mr. Floyd Odlum.

*Mr. Odlum:*

I can offer myself as Exhibit A among living examples of regulation of business by government. During the past several years I have spent almost more time in Washington dealing with government than in the headquarters of the company I serve. Because this company has been looked upon by the Government at various times in various roles and subject to conflicting laws, I have developed a feeling of sympathy for the chameleon I heard about. This chameleon was dropped on a piece of Scotch plaid and burst apart trying to be all colors at the same time. I have not burst yet. In fact, I'm so far from bursting that I can answer tonight's question with an emphatic "Yes." In giving that answer I don't want to be misunderstood. This has been no picnic period. I have always favored individual initiative, opportunity, and freedom from restraint. For myself, I

don't like regulation at any time by anyone. But, as a liberal businessman, I also try to be realistic and practical. I realize that regulation is a normal relationship between government and business. I try, therefore, to help make it work smoothly and successfully.

My reason for saying that government and business can work together is rooted in my simple philosophy of business. It contains two points. One is that the economic environment of our country is dynamic, not static. The other is that business, to prosper, must accept and adapt itself to changing conditions. Even in my lifetime, business was operated on a very different basis than it is today. This early period has been referred to by some historians as the Public-Be-Damned Era. It has been referred to by some of our living elders as "the good old days." Whether they were good or bad, they are gone forever. No so-called reactionaries, however much they may itch to wear the economic crowns of their fathers, can bring those days back.

Meanwhile, what is it that characterizes this new era? It is characterized both by technological and social changes. In technology we have seen the streamlined railroad and airplane conquer distance, while the radio and telephone have annihilated time. On the social side, the aspiration level of the American people has been steadily rising. Both of these changes are good for business. Economically, the only way for the American people to go is upward. Anything that adds to the determination of the American people to go that way is a business asset. To provide this more abundant life is the job of business. All this adds up to mean that the businessman no longer lives unto himself nor is a law unto himself. It also means that business and government, whether they like it or not, are obliged to draw together in a closer and closer relationship.

There can be no dispute as to whether there should be regulation. We can only have a difference of opinion as to degree. On this there are two extreme schools of thought. One believes there should be no control; that we should return to the so-called good old days. The other believes in complete regimentation of business, even to the point of government ownership and operation. Today's papers report a statement made at last night's Congress of American Industry that America must soon face the issue between a free competitive economy and government ownership. I don't believe it. Between these extremes lies the ideal, in my opinion.

There are those who try to tell us that our administrators in Washington are in the extremist group, desirous of destroying private business operated for profit. I have trod the inquisitorial halls of Washington for six years and I have seen no real evidence that these men are trying either to take profits out of private business or to take democracy out of government. In this statement I am not referring to a small frenzied fringe of fanatics found in government and, let me add, in business also, and by whose declarations nothing can be judged. Government impact on business naturally brings irritations. Furthermore, in the field of regulation we also have pioneering and, therefore, mistakes.

This seems to be the American way. But it is also the American way to have an umpire. We may chase the umpire off the field if he seems too partisan or engaged in making, rather than enforcing, rules. But such passing irritations do not cause us to attack the umpiring system. I am satisfied that the great bulk of our administrators and regulators today believe that the interests of government and business go hand in hand, that the object of regulation is to help business, and that the proper object of business is to make profits. There has also been grow-

ing evidence that regulators realize that to be good business traffic cops they don't have to—indeed, should not—sit in the driver's seat. Their function, rather, is to keep the traffic lights operating, to arrest traffic violators when practical but, above all, to keep the traffic moving as fast as safety permits.

The question tonight involves not only the attitude of government toward business, but equally the attitude of business toward government.

It is the job of business not only to function under regulation, but to keep regulation functioning. Business on the defensive and openly critical perhaps has made its own road harder than necessary. Business, by an open-minded, friendly, cooperative approach, will find itself invited by government to sit at the conference table while policies are discussed and rules formulated. I know this from experience. Every other businessman can have the same experience. It's important to be so invited, for government must learn from business itself concerning the practical problems of business. The results, I am sure, will be as welcome to government as they will be helpful to business.

The thing that I worry about is not regulation or even the degree thereof. I worry much more about the attacks and counterattacks that have been going on between certain elements in government and certain elements in business these past depression years. The suspicion and fear so created caused capital to go on strike. It is the biggest strike of our lifetime, the most drawn-out and the most costly. Some say it is a lockout rather than a strike. Most of the debatable and irritating questions dealing with government and business have grown out of the efforts of government to get private capital back to work. But capital is scary; it can't be driven. It must be coaxed. Confidence is the best bait. Return of confidence, I be-

lieve, can be speeded if, among other things, business and government will declare a moratorium on name-calling and consequent suspicion-breeding. Yes, and if reforming and crusading are geared in mesh with profits, they will pay big dividends. I would like to say, both to business and to government, "Meet a friend."

*Moderator Denny:*

Thank you, Mr. Odlum. I now present our second speaker, Mr. William McC. Martin, Jr., President of the New York Stock Exchange.

*Mr. Martin:*

I am grateful for the opportunity to take part in this discussion, because our entire national welfare depends upon the affirmative answer to the question, "Can Business and Government Work Together Today?" Present world conditions are such that it is imperative that every citizen do all in his power to make this answer "Yes." Our government is one established by the consent of the governed, not a government of coercion. There must be something radically wrong indeed when antagonism exists between government and business. Government is not a success unless it is a friend of business, and business cannot exist without the help of government. They must be friends, and they will be friends if government sticks to government and business sticks to business.

Our forefathers who created our Constitution were desperately afraid of government. They came to America because they objected to being told how to worship and what they must do and must not do. And while they knew that government was necessary, at the same time they also knew from their own bitter experiences that the tendency of government was to take to itself more power at every opportunity. Hence they created our



system of checks and balances. They felt that slow movement was much safer than emergency movement, even though results could be obtained more quickly by emergency measures. Their wisdom is evident from what has happened in Europe in the recent past.

It is true that business has at times sought to influence government to its own advantage and to the disadvantage of the public. Thus, conditions sometimes arise where, for the welfare of business itself and of the public, it is necessary that regulatory powers be vested in government. This is what brought into being the Securities and Exchange Commission. The New York Stock Exchange has recognized that such a Commission performs a useful function, and it has been and is our desire to cooperate with it fully in the interest of the public. That Commission's function, however, is regulating and not operating.

It would be asking too much of human nature to expect that men could fashion such an instrument as the Securities Exchange Act and do it in such a way that it would be perfect at the first effort. There is no act that I know of that has ever reached that standard in its original creation. And the reason often is that, as in the case of the Securities and Exchange Commission, there were flagrant derelictions that invited legislation. So great was the emphasis upon these derelictions that the thousands of honest and competent brokers were overlooked. Just how much they were penalized, perhaps unwittingly, could not have been known except from experience. The Securities and Exchange Commission, all of us agree, serves a purpose, but the Commissioners themselves must more than once have had doubts in their own minds as to whether some of the provisions of the Act really remedy an evil, or work a hardship. The Securities Exchange Act is so new a law that it is certain to

contain some defects, and it would seem that the Commission, in the interest of the public, would be glad, after five years of operation, to discuss with the exchanges of the country possible revisions in the direction of an improved regulatory law.

Any conflict between government and business must be an uneven one because government always has the advantage. But it is the public, remember, which suffers most in such a conflict. Therefore, no greater service can be rendered to the American people than to have groups such as the Town Meeting of the Air discuss these questions openly and freely. My purpose, in the few minutes at my disposal, is to get across a viewpoint rather than to argue political or business science.

During the last seven years many new laws regulating business have been passed. This was in accord with changing times and conditions. Dishonest bankers, dishonest utility magnates, and dishonest brokers had undermined the confidence of people in business. But I seriously question whether there is an informed man or woman in this audience who really believes these isolated examples were representative. The record shows that government has had its share of dishonest men and has made its share of mistakes.

Let me take this opportunity to say, as President of the New York Stock Exchange, that I take great pride in my present associates. I would have no hesitation in matching the men of my community with those of any other—and that includes government—when it comes to the desire to do right and promote the public welfare.

The present management of the Exchange has accepted the Securities Exchange Act as the law of the land. It has made every effort to improve its organization and its services. It has undergone a complete reorganization and has added so many additional rules in

the interest of the public that it is difficult for even those in our business to be readily familiar with all of them. Study is being made of the possibility of other improvements, but it would seem the part of wisdom for the Securities and Exchange Commission, in administering the law, to credit the Exchange with good faith and not to take the position that honest brokers must be burdened with experimental restrictions which may, or may not, be in the public interest. The securities business badly needs an opportunity to catch its breath.

The morale of those in our business is low. The efficiency of our market, which is essential to American business, is threatened. We have the right to expect our government to cooperate with us to preserve our market, to help us keep the house from burning down and not to heap fuel on the flames. If we are to continue to have an efficient and serviceable market, and this is vital to the country, it is imperative for us, and for the government itself, to give more attention to ways and means of properly maintaining our operations. I would be less than honest if I did not make these observations at this time. The opportunity exists, in the relations between the New York Stock Exchange and the Securities and Exchange Commission, for a practical test of the ability of business and government to work together constructively.

In conclusion, I would like to say that in my judgment the greatest impediment to the successful cooperation of business and government today lies in the wide area of discretionary power vested in administrators. I recognize that emergencies sometimes arise which require unusual methods, but government by law is always superior to government by men, and it is important for us to remember that under the demands of war emergencies. Government and business can work together if

government by consent is not permitted to become government by coercion.

*Moderator Denny:*

Thank you, Mr. Martin. And now we will hear from our third speaker, the distinguished Republican United States Senator from Ohio, the Honorable Robert Taft.

*Senator Taft:*

The title assigned this evening sounds much simpler than it is. It attempts to personify business and personify government as if each were one person. This is more true of the Government than of business.

But business is *not* an individual, and cannot speak with one voice. Different businessmen do not have the same relation to government. It is too customary for the press and the people to regard business as big business, and accept the attitude of big businessmen as if they represented the entire group, whereas their views and their interests often are entirely different from those of the small businessman, who is the average businessman. Furthermore, large business is in a small minority. There are over 1,600,000 independent retail businesses, 176,000 independent wholesale businesses, and nearly 170,000 independent manufacturing establishments, of which 98 percent employ less than 500 men. So it is a great mistake to put too much reliance on the views of some individual big businessman. On the whole, I would say he is more likely to be friendly to the Government, or at least more anxious to be thought to be, than the small businessman.

The title assigned this evening also assumes the unsound premise that this imaginary individual known as business is on an equality with government and can in some way cooperate in a grand effort to "all boost to-

gether." It implies that businessmen share the blame for the enmity which exists among them today against the present Government. But the average businessman cannot have the slightest influence on the Government's actions. He has to obey the laws and regulations. He has a hard enough time keeping his own head above water. He is seldom in a position to hurt anybody, least of all his own employees, if he is completely let alone by the Government. On the other hand, the Government can have a tremendous effect on him. Regulations which big business can perhaps conform to are likely to destroy the business, or at least the profits of the average businessman. The relation between government and business depends more than 80 percent on the attitude of the Government, and less than 20 percent on the attitude of business, probably less than 5 percent on the attitude of the average small businessman.

If the question of the evening is purely abstract, of course business and government could work together. They always have, before 1936, under both Republican and Democratic administrations. There can't be much doubt that business and government ought to be friends.

But if the question is not abstract, but relates to the present Government as it is with its present philosophy, the answer in my opinion is "No." I have traveled quite extensively through a number of states and intensively through the state of Ohio. I should say that four fifths of the businessmen, large and small, are against the present Administration. It is hard to work together with someone who is unfriendly to you, and the truth is that the present Administration, however it may talk of breathing spells and business appeasement, is not, in the last analysis, really friendly to the growth and development of private enterprise. There are a great many individuals in the Government who are entirely op-

posed to the profit system and would like to see business completely under government regulation. Government is certainly not friendly to business when it goes into business itself, as in the TVA and many other enterprises in competition with existing businesses, for it is absolutely impossible for any individual business to compete successfully with the Government. Government is not friendly to business if, by taxes like the undistributed-profits tax, it deliberately attempts to prevent the saving of money by corporate enterprises and the reinvestment of that money in the extension of plant to build small enterprises into large.

Secondly, business is unfriendly to government today because it thoroughly disapproves of some government policies which the Government perhaps intends to be friendly and helpful to business. The great bulk of American businessmen are convinced that currency manipulation, for instance, is dangerous. Certainly businessmen don't understand the Government's insistence on retaining the emergency powers to devalue the dollar further and issue \$3,000,000,000 of greenbacks.

Businessmen today have come to oppose the whole principle of regulating prices and wages, begun in the NRA and carried through by numerous additional agencies since the NRA was declared unconstitutional. Today it has become apparent that the Government can't fix the price of basic commodities in one industry without fixing them in all, and cannot fix prices of basic commodities unless it is prepared to fix wages and practices and every detail of operation. Businessmen of today distrust this government policy because they realize that in the end it is absolutely destructive of the entire business system of individual enterprise and of adequate rewards for thrift, industry, and ability, the system which has made America what it is. They can't work together

with a government which talks of business appeasement but is still animated by a strong leaning to planned economy.

Businessmen consider it impossible to work with a government which still believes that a people can spend itself into prosperity, and adds \$10,000,000 every day to the public debt which businessmen will have to pay off sooner or later. They certainly wouldn't work with another businessman headed for the bankruptcy court and they hesitate to work with a government headed in the same direction.

There are other government policies which business approves in principle, but where the Administration is so unfriendly on the government side as to remove all friendliness on the business side. The National Labor Relations Act, intended to assure the right of collective bargaining, has been administered in a most unfriendly way by a board, one of whom is a Communist sympathizer, and all of whom are inspired by a crusading spirit, not only against employers, but against the older established unions. The Securities and Exchange Commission seems to have gone beyond its wise purpose of preventing fraud in the sale of securities to hamper seriously the distribution of new securities by an endless series of restrictions and red tape.

And so today I think we must say that business and the present Government are not friends, and that they are not friends simply because the Government's policies have been either deliberately unfriendly to private enterprise, or so burdensome and restrictive as to check the normal conduct of business by those millions of Americans who make the wheels of our country go around.

Undoubtedly there is fault on the side of business, though I would say that the number of businessmen who oppose a reasonable government restraint are few

and far between today. Undoubtedly there must be government regulation to prevent monopolistic practices, and to prevent competitive methods which drive out of business those who deserve to succeed.

The speakers were asked tonight to present an affirmative and constructive answer to the question of the evening. I would say that if business and government are to work together, the Government must change the basic principles of its present policies, or the people must change the Government.

*Moderator Denny:*

Thank you, Senator Taft. Now we are ready to hear from our fourth speaker, Mr. Jerome Frank, Chairman of the Securities and Exchange Commission.

*Mr. Frank:*

We often say, and correctly, that we have a government of laws and not of men. We don't mean that our Government is a piece of automatic, nonhuman machinery. We mean that we have a government of laws made by men in Congress, construed by men in the courts, and administered by men in government agencies. Tonight I am not talking of the work of the men in Congress, or of the wisdom of the laws they enact—for I am not supposed to—nor am I talking of the decisions of judges. I'm talking solely of the conduct of the government men who administer existing laws, administer them, always, within the limits set by the legislature and subject to review by the courts.

Before proceeding, let me say that when I accepted the invitation to appear here tonight I did not realize that I was to be on the program with an avowed and distinguished candidate for a presidential nomination—and one who has already begun his campaign for office,



as you may have observed this evening. I am a member of a nonpolitical commission—required by law to be bipartisan—that is, to consist of not more than three members of the same political party; and two of my colleagues are Republicans, they are not New Dealers. If we work together it is because we are reasonable men and find it possible to do so. In the circumstances it would hardly be proper for me—indeed, Senator Taft might invoke the Hatch Act if I were to do so—to meet the Senator in a political debate in the beginning of a presidential campaign. I shall confine myself, therefore, to what I have from the first understood—and I thought Senator Taft had understood—to be the question of the evening: not the policies or wisdom of legislation, but the question: Can government administrators and businessmen work together?

When I answer that question, I feel like the farmer who was asked whether he believed in baptism. He replied, "Believe in it? Gosh, I've seen it." For I see, every day—and often on nights, Sundays, and holidays—in Washington and elsewhere, government officers actively and effectively cooperating with businessmen.

I would bore you if I were to recite merely a complete list of the various agencies of the Federal Government constantly engaged in such cooperation. To take some samples: Do you imagine that the RFC does not cooperate with business? Or the Civil Aeronautics Authority with aviation? Or Federal Housing with builders and bankers? And what of the Federal Reserve Board, Federal Deposit Insurance Corporation, the Bureau of Standards, the Maritime Commission, the Post Office, the Coast Guard, the Forestry Service, the Bureau of Mines? Do you imagine—in all seriousness—that a day goes by—or even an hour—when all these and many other agencies are not working for and cooperating with

business? I want to talk about what I know about. Tonight I want to talk chiefly out of my own recent experiences in government.

I wish I could show you a talking motion picture of life at the SEC. If I did, you would see a daily example of untiring efforts, as Mr. Odlum well knows, to find workable solutions for difficult problems of business adjustment to existing laws. Why do we make those efforts? Because our laws affect hundreds of businessmen, with as many differing business problems; and because those laws, being new, have imposed novel standards of conduct which may be a shock to established customs and habits. Plain horse sense dictates that, in administering such new legislation, a governmental official must be patient.

What form does that patience take? When Congress directs an agency, like the SEC, to draft rules and regulations, the agency can do one of two things. It can—and quite lawfully—follow what was once considered the normal governmental method: Without consulting any outsiders, the business affected or anybody else, it can simply adopt its rules and announce them. Or, instead, it can first call in representatives of those who are to be affected by the rules and say, “Congress told us that we must promulgate rules on this subject. That is our duty. But we want your ideas on the mechanics. We want our rules to be workable, and we want them to accomplish the objectives of Congress with as little business disturbance as possible.” That might be called the patient or coöperative method. And that is our method. We’ve used that method of consultation—informal, and not frock-coated—with respect to virtually every important rule; and the assistance we have received from business has been of inestimable value.

There are many other examples of coöperation. For

instance, I suppose that as much of the time of our legal staff is devoted to giving counsel to businessmen as to us. Daily, we receive letters from businessmen and their lawyers, thanking us for that kind of coöperation. I have in my files such a letter, received early this year, from a member of Senator Taft's own law firm.

Sitting behind my government desk, I see two markedly different types of businessmen. They might be called Mr. Will and Mr. Won't. Mr. Will is a realist. He recognizes that, while a law is on the books, he must work under it. So he comes to us and says: "My sole desire is to adjust my business to the law as quickly as possible, so that I can save time and make money for my stockholders. Here's what I want to do. Can I do it under the law? And, if so, how?" What happens? He discovers that Congress has set the standards to be complied with, but has often left a considerable latitude as to methods. He sits down with the government experts. They and he, between them, try to find out which of the methods is best suited to his particular problem—methods, mind you, not of evasion or of nullification of the law, but of compliance. In those conferences, Mr. Will often convinces the government men of the practicability of a method, within the law, which they had not discovered.

Mr. Odlum, I might say, as he himself has said, is Exhibit A. To have a hard-headed, conscientious businessman, like Floyd Odlum, thus present the realities of his concrete business problems must broaden the understanding of government administrators. And the successful solution of those problems is an exciting experience for us and the businessmen. It is creative: by demonstrating the law's workability, it converts the law from a mere assemblage of dead letters on a page into a human, living institution.

But what of Mr. Won't? Mr. Won't is a man who, for personal or business reasons, doesn't like the law and won't comply. Now any man has a right—in speech, in print, or in the courts—to oppose or criticize any law, or the administration of any law. That's basic democracy. But, as an administrator of law, and as a lawyer, and as a believer in law and order, I can see no reason why a businessman who defies a law should not be regarded as a lawbreaker. Our Government provides an orderly process for the review, repeal, or amendment of laws. But it does not authorize the violation of an existing law. There are some Mr. Won'ts who take us into court to challenge the law or our administration of the law. That is their unquestioned right. To hear such grievances is what the courts are for. And we are for the courts.

But there's another kind of Mr. Won't. He wears a false face, disguising himself as a Mr. Will. He might be called Mr. Pretend-I-Will. He has a pleasant smile, a gracious manner, a smooth tongue—and not the slightest intention of doing anything. His policy is to stall. He is praying that somehow there will be a repeal of the law before we get around to applying it to him. To transform Mr. Pretend-I-Will from a sham or fake Mr. Will into a real Mr. Will is a hope which induces us to spend much time with him. Usually we fail. Then we must take him into court to make him comply with the law. That is essential, for, if Mr. Will and Mr. Pretend-I-Will are competitors, it is unfair to allow Mr. Pretend to get away, indefinitely, with noncompliance. And then, when we finally do try to carry out the express will of Congress, Mr. Pretend takes to name-calling, charges us with cracking down on his entire industry and undermining business confidence.

There is one paramount reason why government of-

ficers in the SEC believe in coöperation between business and government: Congress would never have passed the SEC laws if it had wanted to do away with the profit system. Instead, it would have tried to use dictatorial confiscation and other drastic methods applied in Russia and Germany. The SEC laws are expressly designed to restore and maintain good faith between the corporation and investors. Without that good faith, the profit system would crack up and democracy would be imperiled. We in the SEC are therefore engaged in the task of fortifying the American profit system in the interest of democracy. The enlightened farseeing businessmen can have no other objective. Our aim is and must be this: a secure profit system under a secure democracy. And coöperation between government and business can achieve—and is achieving—that result, an indispensable result if America is to avert the alternative disasters of chaos or tyranny.

*Moderator Denny:*

Thank you, Mr. Frank. And now we are ready for questions from the audience on the subject of the evening, "Can Business and Government Work Together Today?"

*Man:* Mr. Odlum, in view of the presentation here tonight of yourself and the other speakers, I would like to know your definition of a liberal.

*Moderator Denny:* Well, I suppose that is on the subject, since you called yourself a liberal businessman, Mr. Odlum. Fire away.

*Mr. Odlum:* Well, the term *liberal* is something like the old circus tent: It can cover a lot of territory; it is very elastic. Certainly, liberality, in my opinion, has nothing to do with giving away other people's money. I

don't think it has anything to do with the change of the form of a democratic government. There was a poll about a year or two ago by one of our national magazines on the subject of business and government which dealt with this term *liberal*, and I think the consensus of opinion from that poll was that a liberal is one who, in his views on government regulation, stops short of interfering with the profits of business. I think that a *reactionary* can be defined as one who thinks that anything this side of the old square dance is bad. I think a *conservative* can be defined as one who is willing to toy with the idea of dancing the old-fashioned waltz occasionally. I think a liberal is willing to try the modern steps. Of course, I am referring to the dancing by all three of them on the same dance floor. The *radical* wants to do his dancing out on the sidewalk. A friend of mine defined a liberal businessman for me only yesterday as one who takes account of changing circumstances and tries to adapt himself to them. So, as far as I am concerned, I would like to take that as my definition of a liberal.

*Moderator Denny:* Mr. Martin, do you want to define a liberal and a conservative here tonight?

*Mr. Martin:* I am neither one. I pose as an independent. I don't think a liberal is a man who thinks that everything the Government does is right and who fails to stand upon the rights defined by law and gives in to the desires of the Government at every point. I think a conservative is a man who realizes that the things that have been tried in the past probably had some reason, and they ought to be thought of very carefully before they are discarded from mere chance thinking.

*Man:* I should like to ask whether Senator Taft thinks that government and business would be better friends under a Republican administration?

*Senator Taft:* I don't think that the party label makes very much difference; no.

*Man:* Mr. Odlum, I would like to ask if you believe that the founders of our Government expected that we would have regulation as it is today?

*Moderator Denny:* That is a rather speculative question. All right, Mr. Odlum, go ahead and comment on it anyway. You can say yes or no.

*Mr. Odlum:* I think the founders of our Government did not foresee regulation as we have it today, but had they foreseen our economic complexity they would have, because the two go together. Fortunately, the founders made our system elastic enough to provide for it.

*Woman:* Mr. Frank, suppose a small businessman is a Mr. Will, will he get a hearing with the Government, and if a Mr. Won't, will his grievance get to court?

*Moderator Denny:* You have two hypothetical cases. Your "Will" and "Won't" are hypothetical, but so were yours, Mr. Frank.

*Mr. Frank:* I want to say that, as far as I am concerned, I want to do, and have done, everything possible so that a Mr. Will, if he is a small businessman, will be accorded precisely the same treatment as a big businessman, and if he is a Mr. Won't and wants to go into court, he will have precisely the same rights as if he were a big businessman.

*Man:* Mr. Martin, would the Stock Exchange have taken the steps it has taken since the depression to clean its own house if it had not been for the legislation taken in Washington?

*Mr. Martin:* I don't think it would have taken all of them, but I think it would have taken some of them. The Exchange was very unfortunate in having a very unfortunate case, the Whitney case. That case, as I have tried to outline, was an exceptional case, and

I think you gentlemen know it. The Exchange since that time has been reorganized; it has done everything in its power to meet the law, but it doesn't intend to give up its rights completely.

*Man:* Senator Taft, don't you think it is better to tolerate the SEC, even though it can certainly be improved, than to allow ourselves to go back to the wild days responsible for 1929 and what followed?

*Senator Taft:* I have always been in favor of the SEC. I only suggested that the Act was administered in a way that seemed to be unduly unfriendly to the progress of private enterprise in the flotation of new securities.

*Woman:* Senator Taft, you spoke disparagingly of a planned economy. I am wondering whether with the Toledo schools closed for seven weeks, with tens of thousands hungry in Cleveland—almost starving—wouldn't some kind of a planned economy be a good thing in the state of Ohio?

*Senator Taft:* No. I think the state of Ohio is well able to take care of itself. Its citizens are not starving. Absolutely not. A local fight is going on between some sections of the state and two counties in the state, the rest of the state taking the position that it is up to those two counties to look after their own affairs, and if they managed their business properly they could do so. Those two counties maintain they can't. But, as far as any starvation is concerned, I think you will find that there isn't any such difficulty.

Incidentally, as far as the schools in Toledo are concerned, it is due entirely to the fact that the people of Toledo deliberately voted down a proposed extra levy for those schools. That is local self-government. If they don't want schools, that is their affair, it seems to me. I believe very strongly in local self-government.



I think every city ought to determine what kind of schools it wants and what kind of education it is going to give its children.

*Man:* Mr. Frank, in view of Mr. Martin's statement that the securities business is badly in need of a breathing spell, and that the morale of those in that business is low, why doesn't the SEC do something to help the brokerage business?

*Mr. Frank:* The SEC, since I have been on it, has promulgated virtually no rules of importance affecting the Stock Exchange. For the past two years, the SEC has been saying to the Stock Exchange: Instead of our using our regulations with respect to greater customer protection against possible insolvencies, since the Exchange is the largest unregulated bank of deposit in the world, with no bank examination by Federal bank examiners (something we wouldn't think of tolerating with respect to any other bank), we suggest to you that you should do something about it on your own.

A few months ago, Mr. Martin appointed a committee of his own choosing of distinguished businessmen and lawyers. They brought in a report, making recommendations. But one of those recommendations has been adopted to date. The SEC is waiting patiently—it has made no comments of any kind—to see what is going to be done about those recommendations. I hear mutterings against them. We are not responsible for those recommendations, nor can I say, on behalf of the Commission, authoritatively, that we would approve of all of them, if adopted, and consider them a substitute, but I have a fairly sneaking notion about what our statement would be. We have not introduced such regulations.

As to discretion, let me say to Mr. Martin that when

the Securities Exchange Commission was being set up, the report of the Congressional committee on the statute said, "Representatives of the Stock Exchange constantly urged a greater degree of flexibility in the statute and insisted that the complicated nature of the problems justified leaving much greater latitude of discretion with the administrative agencies than would otherwise be the case, and it was for that reason the bill was so drafted." As to the Stock Exchange, the total sales on all stock exchanges in the year 1938, which will probably turn out to be not so good as '39, were approximately fourteen billions. This was fourteen times the volume of mail-order sales; it was over four times the size of all building contracts; it was four times the railway operating revenues; it was seven times the volume of sales of electric power. Now, I don't know why the Exchange can't make money on that volume of business. We are eager that they should, provided the investors are protected. We are not willing that they should go back to the rinkydink and gambling of the days prior to the passage of the statute.

*Moderator Denny:* Mr. Martin, will you comment on what Mr. Frank has just said?

*Mr. Martin:* I am surprised that Mr. Frank thinks we haven't adopted any regulations recently. I don't know where he has been. Perhaps his legal staff has been too busy thinking up ways of changing the present law. I think that one failing with Mr. Frank—and I say this in all kindness, and it is not meant in any way in a derogatory sense to Mr. Frank—is the fact that he has never faced the problem of soliciting business; he has never known what it is to have to go out and try to get a customer; he has never known how hard it is to earn a living in that sense. There are any

number of brokers who are competent individuals, in a market where there are more shares listed today than there were in 1929, which has had a turnover so slight that, despite the fact that people say there hasn't been adequate contraction in the brokerage business, the number of employees is down over 4,000 registered representatives in the last four years; the amount of capital—the business is not overcapitalized—has declined consistently, and the difficulty today is getting capital to go into the business, and what we need today is a realization of the fact that there is no manipulation to speak of. I say that honestly, because there will always be a little bit of manipulation—until the SEC defines manipulation. And what we need today more than anything else is for all of us to take a constructive attitude and realize that people have to make a living in this country as well as having to live under regulation.

*Mr. Frank:* I want to say that I agree with Mr. Martin that the amount of manipulation on the Stock Exchange is not great, I am happy to say. I want to say, also, that I did not mean to indicate that the Exchange had not adopted regulations. What I did mean to say was that we are patiently waiting—nor have we criticized—to see what they would do with their own committee's report that was issued September 1. We are very much interested. We are not doing anything to coerce them. We haven't criticized them. We are waiting patiently.

*Moderator Denny:* Thank you very much, Mr. Frank. And all the other speakers on this program, I want to thank you for your enlightening help. I also want to thank and express my deep appreciation to one of our most active and useful trustees, who helped us in ar-

ranging this program, Mrs. Richard C. Patterson, Jr. Mrs. Patterson is a sort of godmother to "America's Town Meeting of the Air," because she was the first person on our Board to whom I talked about this plan, and she took it to her husband, who was then the executive vice-president of NBC, and he referred it to Mr. John Royal, and Mr. Royal and his associates took it up. We have been carrying on happily ever since.

Now, following the closing of our essay contest last week, we have an important new contest to announce before we tell you about next week's program. Town Hall in coöperation with *Liberty* magazine is offering \$1,800 in cash prizes for the best cartoon or drawing on the subject, "How Can the Town Meeting Idea Best Preserve American Democracy and Liberty?" Anyone can compete except employees of the Town Hall and MacFadden publications and members of their families. Cartoons must be approximately fourteen by sixteen inches and should be drawn on white Bristol board in India ink, pencil, or charcoal. Cartoons will be judged for aptness, originality, power, simplicity, and draftsmanship. The best entry will receive a cash prize of one thousand dollars; the second-best will receive a prize of three hundred dollars; and five entries next in order of excellence will receive cash prizes of one hundred dollars each. In the event of ties, duplicate awards will be made. The prize-winning cartoons will become the property of "America's Town Meeting of the Air," and entries should be addressed to Town Hall, 123 West 43rd Street. They must be postmarked on or before February 21, 1940, the closing date of this contest. The decision of the judges is final. A more complete announcement about the contest can be obtained in this week's *Liberty* magazine, and information about Town Hall and the town-meeting idea can be obtained by writing

Town Hall or the NBC station to which you are listening. If you are interested in organizing a Town Meeting Discussion Group in your community, address the Town Hall, 123 West 43rd Street, New York City.

Next week at this hour the subject for discussion will be "America and Japan—Embargo or New Treaty?" The speakers will be Dr. Walter H. Judd, who has spent many years in China as head of a large missionary hospital in Shansi province; Rear Admiral Harry E. Yarnell, formerly Commander-in-Chief of the Asiatic Fleet of the United States; and William R. Castle, Jr., formerly Ambassador to Japan and later Under-Secretary of State.

## SELECTED BIBLIOGRAPHY

(*Town Hall makes every effort to find available material on all sides of the question discussed. All publications listed may be purchased through Town Hall Bookstand, 125 West 43rd Street, New York.*)

### CAN BUSINESS AND GOVERNMENT WORK TOGETHER TODAY?

#### CURRENT ARTICLES:

- HOW FAR SHOULD GOVERNMENT CONTROL BUSINESS?** (In *Vital Speeches*, March 1, 1939, pp. 290-96.) Assistant Attorney-General Arnold says "Competition requires a referee." Senator Tydings says the Government has "no Constitutional power to control."
- WHAT CAN GOVERNMENT OFFER—WHAT CAN BUSINESS EXPECT?** by Thurman W. Arnold. (In *Vital Speeches*, June 15, 1939, pp. 525-29.) Not coercing business, but making mass production more effective, is stated as the Government's aim.
- FORTUNE SURVEY XXII.** (In *Fortune*, June, 1939, pp. 68-69 and cont.) What people think on various aspects of the question.
- BUSINESS AND GOVERNMENT.** (In *Fortune*, June, 1939, pp. 66-67.) Political considerations affecting business cooperation with government.
- WHAT HELPS BUSINESS HELPS YOU** by Wendell L. Willkie. (In *Nation's Business*, June, 1939, pp. 78, 102-3.) Business confidence will be restored if government competition ceases.
- YOU CAN'T APPEASE BUSINESS** by Kenneth G. Crawford. (In *The Nation*, March 25, 1939, pp. 339-40.) By the author of *The Pressure Boys*.
- LEOPARD'S SPOTS; ADMINISTRATION'S ATTEMPT TO REACH AN UNDERSTANDING WITH BUSINESS.** (In *New Republic*, May 24, 1939, p. 73.) Can the leopard's spots be changed?
- WHAT'S YOUR OPINION? CAN BUSINESS AND GOVERNMENT COÖPERATE Now?** edited by George V. Denny, Jr. (In *Current History*, June, 1939, pp. 38-41.) A variety of opinions.

#### BOOKS:

- GOVERNMENT SPENDING AND ECONOMIC RECOVERY** by Charles F. Phillips and J. V. Garland. (New York: Wilson, 1938.) Carefully selected material for and against using public funds to stimulate business recovery.
- THE TENNESSEE VALLEY AUTHORITY** by Clarence L. Hodge. (Washington, D. C.: American University Press, 1938.) Objective study of the TVA as an experiment in regional planning.
- GOVERNMENT IN BUSINESS** by Stuart Chase. (New York: Macmillan, 1935.) Readable factual background for a "search for new principles of public business."
- FEDERAL ENCROACHMENT ON INDUSTRY** by Thomas Marshall. (Boston: Christopher Publishing House, 1939.) A lawyer protests.
- THE AUTOBIOGRAPHY OF LINCOLN STEFFENS.** (New York: Harcourt, 1931.) Part III treats of the integral part business plays in local, state, and Federal government.

# War, Peace, and the United States

## (THE LISTENER TALKS BACK)

TOWN MEETING makes a practice of devoting this section to comments from listeners. Contributors have been requested to indicate that Town Hall has permission to use their contributions without the use of their names.—EDITOR.

A THOUGHTFUL student from New York City starts off the comments of listeners to last week's broadcast:<sup>1</sup>

Your discussion this Thursday was in keeping with the standards set by the other Town Hall programs this year—lively, informative, and interesting. There were only two things the matter with it. One was the fact that it lasted only an hour, and the other was Mrs. Littlejohn.

Mrs. Littlejohn makes the statement that the Allies are fighting for freedom and democracy. But just what democracy does she mean? Can she mean the kind of democracy that England offers to 365 million Indians suffering and struggling under the British yoke? Can she mean the kind of democracy that was sold down the river at Munich last year? Can she mean the kind of democracy that was knifed in the back in Spain? Or isn't Mrs. Littlejohn interested in *that* kind of democracy?

Then she says that the cause of the first World War was German desire for world hegemony. . . . There was not one but a multitude of factors contributing to World War I. Fundamentally it was a struggle between two imperialistic groups of nations for raw materials and world markets. Then there were a host of other elements as well. There was the presence of excessive nationalism on all sides, whether German sabre-rattling, French chauvinism, or British jingoism. There was the problem of aggression, e.g. German designs in Morocco and Austro-Hungarian designs in the Balkans.

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<sup>1</sup> What Kind of Peace Can Europe Make? Speakers: Maurice Hindus, Friedrich E. Auhagen, Linda Littlejohn, and John Gunther. Published in *Town Meeting*, December 4, 1939.

There were the various "irredentisms." Italy clamored for Italia Irredenta, France never gave up hope of retrieving her lost provinces of Alsace-Lorraine—and she knew she could never get them back peacefully. There were all the conflicting ideologies: democracy, militarism, absolutism. There was the huge armament race in which every nation in Europe took part.

And finally, as a result of all these conditions, everyone feared everyone else. . . . Every single one of these factors had a part in causing the first World War. Every single one of these factors is present today and had a part in bringing about the present war. . . .

Then Mrs. Littlejohn says that she has a personal argument not only with Hitler but with every single German who supported him as well. Here, too, she completely ignores the facts. What caused Hitler's rise to power in the first instance? Wasn't it caused primarily by the Allies' shameful treatment of Germany after the World War? Does Mrs. Littlejohn think the Germans have forgotten the attempts on the part of the Allies to reduce Germany to a third-rate power? Does she think that the Germans have forgotten for one moment how Britain and France bled Germany white during the post-war period? . . . Does she think the Germans have forgotten that when the American army withdrew from the Rhineland it left a little American army behind it? . . .

Heaven knows, I am not supporting Hitler's actions. As a believer in democracy I hope with all my heart that Hitler will not emerge victorious from this war. But at the same time let us not lose ourselves in emotional frenzies. Uncle Sam played the role of Uncle Sucker once before, largely because we believed that England and France were fighting to save the world for democracy. Let us pray that we will never again be roped in. Let us swear by our dead . . . that we have learned our lesson well.

"The lady from Australia certainly knew her 'onions.' She was the heavyweight of that discussion and a mighty fine discussion it was—it started three fights in my group



of five listeners," writes a man from Peoria about the program on *peace* in Europe!

On the other hand, a teacher from Stockton, California, objects:

I was sorry to hear over the air tonight so much of intolerance and discourtesy shown to a guest invited to present his views over your program. It seemed to me as it must have to many other fair-minded Americans that our guest of German background showed himself the finest gentleman of you all. I have been urging my high-school classes to listen to the program, but I do not like to expose them to the bad example of our supposed wise men unable to take part in a discussion with the spirit of real inquiry. They can do better than any of you did tonight.

But a Great Notch, New Jersey, woman says:

Wish we had more Linda Littlejohn's and Maurice Hindus's, and of course not forgetting John Gunther, and far, far less of the Auhagen's.

And from Pittsburgh another adds:

Mrs. Littlejohn ably delivered her views. The English should be proud of her.

Turning from the broadcast itself to some problems suggested by it, a White Plains man presents some considerations on local patriotism and rivalry here at home:

Last Thursday evening's Town Meeting broadcast emphasized in my mind a growing national evil which must be as puzzling to thousands of other thoughtful Americans as it is to me. . . . I could not help being somewhat astonished Thursday evening, as on other occasions, to note the almost childish optimism with which some Americans advise Europe to forget her racialisms, her nationalisms, and even her national boundary lines, in the interest of continental harmony.

True, this country has much to be proud of in the degree

of national unity it enjoys, but it has much to live down in its sectional, racial, and religious feuds of the past, and much to concern it, I fear, in the present tendency to build economic and personal barriers between states and population groups. "States' Rights" and "Home Rule" have always been the rallying cries of the political "outs." The party in power usually sees the need of strong centralization of power. The opposition usually comes back with the assertion that the rights of the parts are more sacred than those of the whole. Encouraged by politicians, whose jobs and patronage depend on the maintenance of a great many little wheels within the big governmental machine, citizens are more and more prone to look upon their own particular bailiwicks as something more important than the nation in its entirety.

Our states have little individual economic excuse for existence. Neither agriculture nor industry nor commerce nor finance nor race nor creed obeys state lines. Why, then, should a nation which boasts of its unity lay so much stress upon the sacredness of its political boundaries? It is said that fear of dictatorship by the central government justifies this theory of exaggerated local powers. Yet we have never had a federal dictator, even in war time, while we have had many, many dictatorships in states and municipalities, much to the country's discredit.

Our twelve Federal Reserve districts represent the only effort made thus far to divide the United States into truly economic sections. Is there any good reason why these districts, or some modification of them, are not more important to the nation's welfare than are our traditional political provinces?

The Interstate Commerce Clause of the Federal Constitution was designed to prevent one state from rearing excise taxes, embargoes, and other trade barriers against its neighbors. Yet there is a growing acceptance of state, and even municipal, laws tending toward the erection of such barriers. Because some states hunger for legal fees, a business which could not get a clean bill of health in State "A" can incorporate in State "B," and then carry on as a full-fledged "artificial person" back in State "A" or anywhere else in the United

States it has a mind to do so. Concerns hampered by Federal regulations take refuge in contradictory state regulations, or vice versa, giving excellent opportunity for corporation lawyers to ply their trade, but affording the public little protection from certain types of commercial sharp-shooting. . . .

The evils of this overplaying of local patriotism, states' rights, the native-sons conspiracy, the daughters of this and of that, the states' warfare against the Federal Government and against each other take us back to the unregenerate days of the federation that preceded our Constitution.

I believe this subject would interest the Town Meeting audience, and that good speakers could be found to take both sides of the question. I should like to be one to advocate less emphasis on state boundaries and sectional pride, and more concentration on a strong and united central government.



## IT IS NOT TOO LATE...

To enter your subscription to the 1939-40 volume of *Town Meeting*, so that you will receive your copies regularly and promptly each week. All you need do is send \$2.50 to the address below for all 26 issues. Single copies are 10 cents. The following issues are now ready:

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8. **What Kind of Peace Can Europe Make?** JOHN GUNTHER, MAURICE HINDUS, LINDA LITTLEJOHN, FRIEDRICH E. AUHAGEN

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