

I KNOW FAIR TRADE FROM BEHIND THE COUNTER
by
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(D. - Minn.)
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NATIONAL ASSOCIATION OF RETAIL DRUGGISTS
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MR. CHAIRMAN, DISTINGUISHED GUESTS, LADIES AND GENTLEMEN -- AND FELLOW DRUGGISTS:

You must be gluttons for punishment, you members of the National Association of Retail Druggists - and yet that shouldn't come as a surprise because everybody knows that the druggist has a capacity for punishment which far exceeds that of any other professional man. You remember I addressed your group once before. I spoke for more than an hour - considerably more than an hour, according to John Dargavel's watch. Yet you invite me again.

What's more, you seem to have invited, and to have listened to, about half of official Washington, from the Vice-President down. Nor is that all. You've combed the country for experts in various fields. You've listened to leaders in the drug industry tell you what is right and what is wrong with the business and, I hope, how you can extract a little more profit out of your operations. You've been exposed - and I suspect happily - to a mammoth program of entertainment. And here you are listening to just another druggist, who won't take over an hour to tell his story this time. Since talking to you last, I have been elected to the Senate where I joined that group which tried to change the rules on breaking filibusters.

Yes sir - and madam - just in case you don't know it, I was brought up in a drug store; I worked in one - from soda jerking to selling to inventory control - and I still have an interest, along with my brother and father, in what we believe to be the best drug store you will find on Main Street in Huron, South Dakota. Whenever I get a chance, I get back there - just to keep my hand in the business.

In my position, one never knows when he will have to go back to work. If Congress had adjourned in time, I wanted to go back there this summer and roll up my sleeves and pitch in.

They run a fine drug store out there without me, but like everybody else in business, they can always use a little "good advice" from Washington.

What's more I not only own part of a drug store, but I like to use drug stores in my political campaigns. I've electioneered in front of many drug stores - particularly in smaller communities. Whenever I run for office I make a lot of speeches - I believe in discussing the issues fully and frankly before as many people as possible. When possible I pull up in front of a drug store and start selling my bill of goods - a drug store makes me feel at home and seems to put the audience in a receptive frame of mind. You know, people have a lot of confidence in a drug store, and many a local druggist has the reputation of a "neighborhood statesman."

Speaking before a drug store also gives me the feeling that I know what I am talking about. Indeed that is why I am here today. I know something about Fair Trade - not from the academic viewpoint of the economist, but from the standpoint of the man who was behind the counter in those terrible days of the depression - the man who saw and felt the effects when those large price-cutting organizations moved in on the independent businessman who was struggling to keep his head above the water.

I know Fair Trade because I have had to earn my living behind the drug counter. I've lived Fair Trade, as you have. I know, as you do, the bitter miseries of predatory price competition. I know what it means to be squeezed by a price cutter to my right, another to my left, and still another just around the corner. It is against this background of experience that I speak about Fair Trade and the independent business enterprise.

I suppose it was the depression and the economic repercussions of the late 1920's and 1930's that molded my economic and political philosophy. It gave me a respect for hard work, ingenuity, and determination. It brought into sharp focus the reality of suffering that comes from unemployment, mortgage indebtedness, irresponsible financial power, wild-cat market speculation, and ruinous

low prices and degrading low wages.

I learned by experience - cruel, sickening experience - the interdependence of our economy - the relationship between farmer - worker - retailer - wholesaler - and manufacturer. I know by experience and not by theory, that a depressed agriculture, an unemployed labor force, spell debt and bankruptcy for business. I know, by experience and not by theory, the dangers that are ever-present in concentration of economic power - in monopoly.

I know what it means to have banks close their doors - and have no Federal Deposit Insurance to protect the bank account. I know what it means to have unemployed people stand around in a drug store, and not to have even an unemployment compensation check.

I know what it means to have farmers without price supports - Fair Trade - for their products. I know what it means to see merchant after merchant close his doors only to see the Big Chain or Corporate enterprise survive and preempt the field. Yes, I think I know what it means to see a nation prostrate and dying while a government of the people, by the people and for the people does nothing but talk of "confidence" and "prosperity around the corner". That is why I support a policy of government that seeks to protect the welfare of the people - that joins hands with the people in preserving the institutions of political and economic freedom.

I support a policy of government that believes in Fair Trade for all parts of the American economy. To me, Fair Trade means a fair body of rules and regulations that preserves the competitive enterprise system but removes competition from the realm of unprincipled and vicious practices either by government or by business enterprise.

I think my philosophy was well expressed by the late Edward S. Rogers, Chairman of the Board of Sterling Drug Company, in his argument submitted to the Supreme Court of the United States testing the constitutionality of the California Fair Trade Act. Here's what Mr. Rogers had to say:

"The whole process of civilization has consisted largely of the gradual surrender of the individual's right of liberty to make himself harmful or obnoxious to his fellowmen. The liberty secured by the Constitution of the United States is a liberty tempered by restraint. In his business as well as in his personal relationships, every individual is subject to restraints imposed by law for the purpose of promoting the general welfare, comfort, health, morals, or prosperity of the community."

In other words, what Mr. Rogers was saying is that with liberty and freedom come responsibility for moral and principled action. Free enterprise - yes, individual private enterprise - cannot be based upon the philosophy of greed and selfishness or have as its rules the law of the jungle. Business enterprise has a responsibility not only to itself but to the rest of the community. It is through government - a free and democratic government - that a just and fair body of rules for the conduct of society is appropriately designed and fairly enforced.

Fair Trade in the broader sense is what we are seeking in our relationships with the rest of the world. That is, Fair Trade may well be a simplified statement of the aims and purposes of the United Nations. Fair Trade in essence means respect for individual rights, the preservation of competition between responsible people and institutions, a society based upon law and order. These should be the objectives of all freedom-loving people in all aspects of our political, social and economic life.

Let me just develop the concept of Fair Trade in a broader sense. The Securities Exchange Act regulating the stock market was Fair Trade for the market and the stock purchaser.

The Holding Company Act, regulating the financial operations of public utilities, was a body of Fair Trade law in the field of public utility service.

The abolition of child labor was Fair Trade in the field of employment. The establishment of a minimum wage was Fair Trade for the unorganized worker. The guarantee of the right of collective bargaining was Fair Trade for organized labor.

The establishment of price supports, agricultural credit, soil conservation was a body of Fair trade law for the American farmer.

The insurance of bank depositors through the Federal Deposit Insurance Corporation was Fair Trade for the banker and the depositor.

The passage of the Sherman Anti-trust Act and the Clayton Act set up principles of Fair Trade in the American enterprise system. The establishment of the Federal Reserve Bank system guaranteed Fair Trade in the banking field.

The Social Security Act was but a recognition of the principle of Fair Trade for those who were the victims of unemployment, old age, and physical incapacity.

The creation of a federal housing program was but Fair Trade for those who wanted to buy their own homes at reasonable rates of interest. Slum clearance and low-cost public housing represent, in my mind, a fair break - or should we say - Fair Trade, for the underprivileged and the victims of our mechanized, industrial society.

The development of our natural resources, our rivers and our harbors, is a fundamental guarantee of the opportunity for Fair Trade in the underdeveloped areas of our nation.

Yes, this principle of Fair Trade is much more broad in its meaning than just in the retail field. The basic purpose of American democratic government has been the guarantee of equality of opportunity and the preservation of individual liberty. In simpler terms, this is, in the language of the businessman, Fair Trade - a guarantee of the opportunity to do business with, to associate with other persons on a basis of fairness and equality, but at all times preserving the differences that come with individual initiative and the development of individual capacity.

There has been a great hue and cry these last few years about the loss of our liberty. Many of those who today oppose Fair Trade laws such as the Miller-Tydings Act, the Robinson-Patman Act say that these laws threaten liberty and freedom. Unfortunately, some people look upon liberty and freedom as a license to exploit and to destroy. The American philosophy of liberty is not merely absence of restraint. More basically, it is the establishment of conditions of fair play and of equality of opportunity that permits an orderly development of society and a development of individual ability for the benefit of the individual as well as the community.

It is for these reasons that we have laws that regulate zoning in cities, that control traffic, that set up standards of public health protection and sanitary codes.

It is because we look upon liberty as a privilege but also as a responsibility that we have developed laws which regulate our finance, which control and direct our commerce, which protect and develop our natural resources, and which guarantee to the individual citizen his basic rights of free speech, free press, freedom to worship and freedom to assemble.

Now, some people may call this "statism" or they may even call it "the welfare state". I call it "democracy". I call it responsible government and an orderly society.

It is my observation that the sure path to "statism", the sure road to collectivism is the failure to recognize the basic needs of our people and the failure to protect and guard the free flow of commerce in an economic system that is based not only upon free enterprise but upon individual enterprise.

I repeat - the heart and core of the American economic system is individual enterprise - the small independent businessman. The threat to that economic system is the ever-growing concentration of economic power and that threat is a real one.

This was testified to by a recent report of the Federal Trade Commission which showed that 113 companies, all with assets of more than 100 million dollars, owned almost half of the manufacturing plant and equipment in this country. Other alarming testimony is the fact that from 1940 to 1946, more than 1800 independent firms in manufacturing and mining alone, disappeared as a result of mergers. I have seen statistics that show that in 124 commodities, 4 or less companies control 75% of the sales.

These are facts that the small businessman should study and understand. These are facts that represent economic atomic bombs to a free economic society. It is only through your government - a resourceful, responsible government of

the people - that the ever-growing power of economic concentration can be curbed.

It is only through vigorous enforcement of the Anti-trust laws and vigorous action on the part of the Federal Trade Commission that a free competitive system can be preserved.

"Statism" will come to us when business gets so big that it can only be managed and controlled by a government that is even bigger. Just as big business becomes intoxicated with its own power and loses its sense of initiative and imagination and its respect for individual rights, so big government that is designed to check big business can become inefficient, inconsiderate, unimaginative and unconcerned as to individual rights.

"Statism" in simple terms is absolute power - power has many manifestations. There is political power but the essence of political power is economic power, and it is my considered judgment that if "statism" comes to this great nation, it will come because those who cry out the most against it at this day are often unaware of the menace of economic concentration and the destruction of free competition.

Let us get down to the Fair Trade laws that every retail druggist is so deeply concerned with. I know you will forgive me for having developed the concept of Fair Trade in its broader sense. From here on out, I want to talk to you about the Fair Trade laws that have done so much to preserve and protect the retailer, the small independent businessman.

You see, I believe with a deep conviction in property rights and in private property. I believe in private property so much that I think everybody ought to have some of it and not a few people have most of it. It is in this frame of thought that I rise to defend the Fair Trade laws and state categorically that they are a fundamental part of our political and economic freedom.

Fair Trade as we know it today came into existence in California in 1931. Today we have Fair Trade in 45 states. The federal Miller-Tydings enabling act legalizes Fair Trade as a matter of interstate commerce. It doesn't impose Fair Trade over the entire nation, but it merely legalizes Fair Trade in those states whose legislatures wish to adopt it for their own states.

I suspect Fair Trade would not have gone very far without the famous Section 1 $\frac{1}{2}$ - popularly known as the "non-signer" clause of the state laws. This clause simply makes the terms of a Fair Trade contract apply uniformly to every retailer in a state. Without such uniform application, Fair Trade would have worked a competitive disadvantage against the retailer who signed the contract and in favor of the one who didn't - if the latter was clever enough to obtain stocks of Fair Traded goods despite all efforts to prevent this from occurring. They're the kind of dealers whose predatory price cutting and exploitation of loss-leader merchandise made Fair Trade necessary.

This Section 1 $\frac{1}{2}$ of the standard state Fair Trade laws reads as follows:

"Willful and knowingly advertising, offering for sale or selling any commodity at less than the price stipulated in any contract entered into pursuant to the provision of Section 1 of this Act, whether the person so advertising, offering for sale or selling is or is not a party to such a contract, is unfair competition and is actionable at the suit of any person damaged thereby."

From the standpoint of the broad national interest, Fair Trade simply amounts to this - as a matter of public policy, the nation has reached the conclusion that the existence of hundreds of thousands of independent retailers is in the best long range interest of the general welfare. To back up this public policy, the federal and state Fair Trade laws provide a means of elevating the level of competition between the independent local merchant and the large predatory organizations.

The late Justice Brandeis, with his clear, logical and incisive mind, demonstrated for us the threat of unfair competition and the effect of ruinous price-cutting.

"America should be under no illusions as to the value or effect of price-cutting. It has been a most potent weapon of monopoly - a means of killing the small rivals to which the great trusts have resorted most frequently. It is so simple, so effective. Far-seeing organized capital secures by this means the co-operation of the short-sighted unorganized consumer to his own undoing."

Fair Trade doesn't give the independent any monopoly. Nor does it stop the offering of "bargains". Any retailer - independent or big - can still sell non-Fair Traded merchandise at any price he chooses, and there is a wide variety of such goods available to anyone who wants to merchandise on this basis. In fact, there can be no Fair Trade on any product which is not in competition with other similar products.

Fair Trade has demonstrated, without peradventure of doubt, over the years of our depression, war and post-war periods, that it serves a useful social and economic purpose in the public interest in our free enterprise economy. Fair Trade has proved itself one of the keystones of our anti-monopoly structure; for it has stimulated competition while, at the same time, setting down just rules of competition which eliminated the vicious practices of those who want only free-for-all enterprise and whose textbook is jungle economics.

Under Fair Trade, the independent retailer has been given the opportunity to earn a livelihood. I say "opportunity" advisedly; because that is all he has been given. The independent retailer must still earn his living - Fair Trade does not guarantee it to him. He must know how to keep store, how to buy, how to sell, how to serve his customers. Those who fail in these and in other essentials of retail distribution will surely fall by the wayside; and, indeed, they have. At the same time, larger retail units have become even larger. Yes, here in the United States, we have witnessed in less than a generation a simultaneous strengthening of the position of the independent retailer - and his number is legion - and a remarkable growth in the size of retail distributors. Some of them have, in fact, become bigger than most of the manufacturers who serve them.

Can you imagine the chaotic condition of retailing today if the Fair Trade laws were not in force? Those of you who were in business during the terrible depression can, but I fear that many of our good citizens across the land have either forgotten the fantastic practices of those days, or never knew them. Retailers are a curious lot. They go by last year's figures. And, in 1949 for the first time in a decade at least, those figures don't compare favorably with last year's sales. In their drive to make the 1949 figures look better than those for 1948, some retailers would have reverted to the primitive, savage, unconscionable price-cutting tactics which we knew during the depression when some 300,000 retailers were forced into bankruptcy. Without Fair Trade, this country would today be witnessing the unhappy spectacle of jungle economics at its worst.

But not for long, in my view. I have confidence in the good sense of the American people. And I am sure they would soon see through the deceit, fraud and excess of the price cutter, how ver beguiling his surface appeal or impressive his financial resources. Instead, they would join with businessmen, with social philosophers and economists deeply and rightly concerned about monopoly, and with public officials in developing an irresistible pressure to enact the very Fair Trade laws which, fortunately, are on our books. We have come a long way in enlightenment, in a sense of social responsibility, since the Black Friday of October, 1929. The retailer who would like to lure customers into his store through predatory price-cutting practices has simply had to find other, and fairer, means of winning trade; and, if the truth be realized, Fair Trade has made him a better merchant by forcing him to find those means.

In the circumstances, one might well ask why presumably intelligent people oppose the Fair Trade laws. And do not let us delude ourselves into believing that the only opposition comes from the confirmed price-cutter or the chronic crackpot. Let me assure you that among the opposition are sound, intellectually honest citizens.

These citizens cannot have had first-hand experience with the fantastic price orgies of the depression era. Somewhere along the line, they have swallowed the price-cutter's propoganda; or they have developed misconceptions concerning Fair Trade on their own account. What are some of these misconceptions?

First and foremost is the misconception that consumers are penalized under Fair Trade, whereas consumers in non-fair trade states are able to buy things cheaper. This is positively not so. Oh yes, the price-cutter in the non-fair trade state offers "loss leader bargains" which have high visibility and give the impression of similar bargains throughout the price-cutter's store. The fact is, however, that operating margins are as high or higher in non-fair trade states; so that, taking all the items which the price-cutter sells - instead of selecting only the comparatively few bargains - he is charging the consumer as much or more than the Fair Trade retailer charges. It cannot be

otherwise. He must charge more for some items to make up the loss he incurs on those price-cut products which are used to lure unwary customers into his store.

Another misconception is that Fair Trade gives the manufacturer full and uncontrolled opportunity to fix the price at which he sells to the distributor and to fix the price at which the distributor sells to the consumer. That's wrong, on both counts. In the first place, Fair Trade does not give the manufacturer any rights, as regards establishing his own selling price, that he doesn't already enjoy. The owner of the product and of the trade-mark which identifies it has always had, and has today, the right to say what he will charge for his product. Fair Trade does give the manufacturer the right to protect the property value of his trade-mark, if he chooses, by establishing the minimum resale price of the product.

Right here in this great state of New York, a very significant statement about Fair Trade was made by the former Governor of this state, the Honorable Herbert H. Lehman. In signing the New York State Fair Trade Law in 1937, Governor Lehman said:

"This bill in no way sanctions monopoly, monopoly prices or combinations in restraint of free competition between commodities. This is true because the provisions of the bill are applicable only to a commodity which is in fair and open competition with commodities of the same general class produced by others. The prices of commodities that are sold in fair and open competition with other commodities of the same general class will always be subject to control by the powerful forces of competition. If a manufacturer markets his products at a price which the consumer deems too high, the consumer will naturally purchase a commodity of the same type produced by another manufacturer who is willing and able to market at a lower price."

In this statement the economic application and the philosophy of Fair Trade is clearly stated.

But the real and only effective and legal price-fixer in America's competitive economy is the consumer, and this is as it should be. She can buy what she likes among a wide assortment of articles of a given class, and pay what she likes because the price range generally is as broad as the assortment. She can buy an article under Fair-Trade, or one that is not fair-traded. In those circumstances, the price which she and the millions of other consumers are willing to pay definitely determines the price at which the particular article can be, and is sold.

How does she happen to have such free choice? The answer is simple. The Fair Trade laws specifically provide that a trade-marked product may not be put under Fair Trade unless it is in free and open competition with products of similar class produced by others. Further, they state that the manufacturer may protect the property value of his trade-mark, if he chooses; but he doesn't have to do so, and many manufacturers do not. Again, the Fair Trade laws do not repeal the Antitrust Laws. Any conspiracy among manufacturers to fix prices among competing products would bring a quick visit from the Antitrust Department or the Department of Justice and, I hope, speedy indictment. In fact, it is this competition among Fair Traded merchandise - as well as between Fair Trade and non-Fair Trade merchandise - that serves to keep prices of all products within the range of consumer acceptance.

Then there is the now ancient complaint about the government meddling too much in the affairs of business. We heard that complaint back in the last century when the Interstate Commerce Commission was being established. We heard it again when the first Food and Drug laws were enacted in 1906; again when the S.E.C. was formed, and many times before and since. The Fair Trade laws do not put the government in business. They simply lay down a few rules of business competition - which is the obligation and responsibility of government in a free enterprise society. They are no more restrictive on the individual than wise traffic laws.

Well, maybe we've satisfied the critic this far, but he's a resourceful and persistent fellow. Says he, with an air of earnestness, "The trouble with Fair Trade is that it does not permit economies of distribution to be passed on to the public in the form of lower prices." Of course, this assertion is sheer bunk. Inefficient retailers, like inefficient wholesalers and inefficient manufacturers, do not last long - Fair Trade or no Fair Trade. As for the others, everybody recognizes that there will be small variations in operating efficiency; but the resulting consumer price variations will generally be so inconsequential as to have little effect on the consumer's purchasing power. What is so strange about this particular objection to Fair Trade is that it is

most frequently advanced by the very price-cutters whose operating costs are notoriously among the highest among retail establishments. If he were ultimately successful in driving out all other distributors, cost of distribution to the manufacturer and consumer would really go up - and we would lose thousands of independent merchants in the process.

The objector keeps on objecting, however, and you've got to meet his every argument. He'll tell you that in our kind of free enterprise the man who owns the product has the right to charge anything he pleases for it, and to give it away, if he wants to. This is true. But what the objector fails or refuses to understand is that a retailer, while owning the product when he buys it from the manufacturer, does not simultaneously own the manufacturer's trade-mark which identifies the product. That remains in the manufacturer's possession all the time, as the U.S. Supreme Court so clearly stated. If the retailer wants to, take the trade-mark, or label, off the package, he can sell it at any price he wants to, and Fair Trade won't interfere with him. Fair Trade just doesn't let him feed, like a parasite, on the good will which the trade-mark symbolizes. Fair Trade doesn't permit him to damage the trade-mark by making a price football out of the product.

Finally, there are some good citizens who read an editorial inveighing against Fair Trade without realizing that the principle behind it, namely, resale price maintenance to protect the property value of a trade-mark, can be, and is applied without benefit of a Fair Trade contract in such fields as automobiles, gasoline, newspapers, magazines and electrical products. These are among the examples of resale price maintenance which we find in our economic life. The maintenance of the resale price of commodities that are in open competition, as you can therefore see, is neither novel nor is it confined to Fair Trade laws. I often wonder what would happen if news dealers would cut the price of the very newspapers and magazines which have editorially opposed Fair Trade.

We can go on with the objections and the misconceptions, for there are, unfortunately, many. I urge you to be patient with those who raise the former or hold the latter. As I have indicated, some opposition comes from the selfish few who would profit by the repeal of Fair Trade at the expense both of their competitors and of society; but the larger numbers among the opposition are those who do not have a selfish interest. It is your job to develop among them a real understanding of the economic and social significance of Fair Trade so that, in good time, the only opponents will be the price-cutters. By themselves, the price-cutters will have neither conviction nor effect.

Fair Trade helps to give free enterprise validity. The late chairman of the Federal Trade Commission, Colonel Charles H. March, summarized the importance of Fair Trade legislation and its effect upon competition by these words:

"These Fair Trade Acts, supplemented by the federal Fair Trade Enabling Act, are deliberately designed to keep competition in American business. Those who opposed these acts, on the other hand, sought to destroy competition. They knew - and it is the settled rule of economics - that competition destroys price-fixing and gives products to the public at the lowest possible cost....

"If the people of the United States want monopoly, if they want all the avenues of production and distribution in a community controlled by one or a few, then loss-leader selling is a way to obtain this. If, on the other hand, they do not want to put all the production and distribution of the necessities of life into one of a few hands, then the competition of the small businessman must be present and unfair trade practices must be prohibited... Loss-leader-selling is one of the most remorseless enemies of healthy competition."

Let us make no mistake about it, our free enterprise system cannot long endure if economic power is concentrated in relatively few hands. We must have large numbers of businesses, and we must make it possible for men to have a fair chance of success in business enterprise, if we are to avoid the statism about which there is so much fear. Accordingly, Fair Trade, which protects trade-mark owners, distributors and the public against injurious and uneconomic practices, should have the support of every American citizen who believes in free enterprise.

A sister piece of legislation to the Fair Trade program was the Robinson-Patman Act. This is presently under attack from the monopolists and from big business. The principle of this legislation is also very simple and likewise stemmed from the dreams and thoughts of Louis D. Brandeis. In effect, that legislation merely says that power shall not be arbitrarily used in the market place. You know better than I do that a big company can fight its way into the market place either by the superiority of its merchandise or by the use of mere, sheer, naked power. The use of such power is bad for economic and

political democracy.

The Congress of the United States has declared under the Robinson-Patman Act that a particular kind of power shall be banned in the future. In brief, the power referred to in this legislation, related to the prices at which the manufacturer sold his output to large or small, or favored or disfavored, distributors or retailers. Congress did not lay down a rule that there could be no variation in price or discount between the smallest buyer of the commodity and the largest. All the Congress said, in laymen's language, was that the difference in discount, for example, should have a direct relationship to the economic costs involved. If the packing of the article, or the shipping expenses, or any other element that went into the actual cost of the transaction, varied between the large order and the small order, such variations can be translated into the price. Unfortunately, we went through decades under which large companies had the power to decide which of the customers for their commodities should be allowed, in effect, to survive, which should hang on as a matter of grace, and which, above all, should be allowed to make a real profit at resale.

This particular legislation is being subjected to increased litigation, and only recently the United States Supreme Court has spoken well, if not too clearly, on this subject. We are now at the point where, as I read the decisions, the burden of proof for discrimination in price or discount is on the manufacturer-distributor who wishes to vary his terms in such a way that an agency of the government, or, if you please, an outside potential buyer can be heard to say that competition has been lessened.

Once again Congress has not said anything about price-fixing. All that your national Legislature has indicated is that power is a dangerous thing in the market place and particularly evil if used to eliminate small business. I have laid particular stress on the price-maintenance laws because there is a growing lobby and campaign to wipe out the federal legislation. But I am frank to say that the two brain children of Louis Brandeis must go hand in hand with the continued preservation of decent competition in American economic life. We need this type of legislation, and much more, in order to prevent further concentration of power.

Our entire tax structure, as well as our postal rates, are designed as if consciously to discriminate against small business. As a result, we have had more mergers during the past year than in any other year of the past decade, and we are only now realizing that every merger creates a problem not only for industry and not only for the consumer but also even for organized labor. Sometime ago I saw figures which indicated that after a study of several hundred mergers, it was found that in no single case did the merged companies in the year after the merger make as much net profit as in the preceding year when the various companies merged were operating as separate units. It took 10 years before profits equalled the sum total of the individual companies.

You have no vital, active spokesman in your behalf in the government of the United States. I think the suggestion made by Morris Ernst, in his recent testimony before Congressional Committees, is worthy of your consideration. Labor has its advocate in the Secretary of Labor. The farmers have a spokesman in the Secretary of Agriculture. The Department of Commerce might well be reorganized so that the Secretary of Commerce would be a battling, forceful advocate for individual free enterprise. The 400 big giants of American industry scarcely need a spokesman. They have their lobbies with the highest priced public relations and legal talent in America. It is small business that should be the particular concern of the Department of Commerce. I know that the Department is making serious efforts along these lines, but what we need now is a dramatization of the dangers that affect all of you and all of the freedom-loving Americans who hope that their children may have a chance to go into any business on the American scene.

It is not too difficult to get laboring men together. They are in the same factory. They are not fighting for the same nickels. Farmers can be organized because they can meet at meetings of the Grange, Farm Bureau, or Farm Union; or they know each other fairly intimately within wide areas. The task of getting small businessmen together is of a different nature. The grocer in Minneapolis has little in common, he feels, with the little grocer in New York City. And the druggist in St. Paul feels little kinship with the druggist in Buffalo. It is, therefore, all the more important that these businessmen, operating through brains rather than power, have a spokesman and advocate in Washington, in the Cabinet, not only in their own behalf but in behalf of consumers, decency and freedom for all of the people of our nation.



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