

From the Office of
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Washington 25, D.C.
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For Release: Thursday P.M.
May 24, 1956

FAIR TRADE KEYSTONE TO FREE COMPETITIVE ECONOMIC LIFE: HUMPHREY

During the past 25 years, American business "has accepted the fair trade principle as a keystone to a free and competitive and dynamic economic life," Senator Hubert H. Humphrey (D., Minn.) declared today in an address before the Bureau of Education on Fair Trade in New York, N.Y.

Senator Humphrey spoke at the 25th Anniversary luncheon of the organization.

"Since its birth, fair trade has had many growing pains," Senator Humphrey declared. "But the formative stage is past, and fair trade is moving into maturity with the satisfaction that it is no longer just a pregnant thought, but a growing principle legally recognized and widely accepted. Even so, fair trade is still faced with serious problems, which, though disconcerting, are not alarming.

"These problems stem largely from a lack of understanding of fair trade, and point up the necessity for more positive and dedicated action if the positions won are to be maintained and further progress made. Ours is not only an economic program, but a moral one, and, furthermore, one which is designed to benefit equally each participant -- manufacturer, merchant, and consumer."

Consumers are protected, Senator Humphrey declared, "for the manufacturer and retailer alike know that it is to their advantage to offer quality merchandise at competitive prices. If they fail to do so, they will lose out to other more competitive fair traded merchandise."

"We must point out that the devious methods employed by discounters in switching substandard or inferior merchandise to the purchaser through deceptive advertising or merchandising techniques," Senator Humphrey said. "The consumer must be educated to realize that he gets no more than he pays for, and in many instances less."

Senator Humphrey commented on the study undertaken by the Senate Small Business Subcommittee on Retailing, Distribution, and Fair Trade Practices, of which he is chairman, "to ascertain the status today in the market place of fair trade, as distinct from its status in the legislative field and in the courts."

"We wanted to learn whether fair trade is understood, and whether it is operating successfully," Senator Humphrey explained.

"Over 75% of the manufacturers who indicated an opinion said that fair trade in their respective industries is operating well in the market place. This overwhelming indorsement is inspirational. It means not only that fair trade is operating successfully throughout our merchandising centers, but it indicates conviction on the part of fair traders. Furthermore, it indicates that fair trading manufacturers are effectively implementing their programs for it is well settled that fair trade only operates effectively when it is enforced."

With regard to probable effects on their industry should the Miller-Tydings and Mc Guire Acts be repealed, Senator Humphrey said that over 50% of the retailers felt that such a repeal would have adverse or disastrous effects on their businesses.

"This position is certainly well founded when considered in the light of the disastrous price wars that took place in various parts of the country between the time of the Schwegmann case and the passage of the Mc Guire Act. These price wars coupled with those in non-fair trading states, and the recent gasoline price wars, all point up the need for fair trade if a healthy economic life for American business in general, and small business in particular, is to be maintained," Senator Humphrey said.

M O R E

Fair Trade Keystone to Free Competitive Economic Life: Humphrey

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"That need is recognized today by manufacturers and merchants alike, largely as a result of the efforts of this organization. You accepted the challenge in 1931, and never faltered. You have moved forward to elevate fair trade to the esteemed position in which it is now held. You have moved with conviction and vigor to preserve the birthright of the American Economic System. You have not been deterred by the mammoth size of your undertaking. Your pledge that fairness in trade will be preserved and advanced is heartening to all who are interested in fair play."

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SENATOR:

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You remember Bill Creech offered to edit your Fair Trade speech. Here is the finished version. He made no changes in content; except on pages 58 and 59, which if left as is, would constitute advice contrary to the law.

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TRANSCRIPT OF ADDRESS BY SENATOR HUBERT H. HUMPHREY

SILVER JUBILEE CONFERENCE ON FAIR TRADE

Hotel Roosevelt, N. Y. C., May 24, 1956

INTRODUCTION BY MR. MERMEY: I don't have to introduce the next speaker. He is here, you all know him. He is a very great guy, the No. 1 champion of Fair Trade in the legislative halls in the

(MORE)

United States, the outstanding spokesman for small business in America. Senator Humphrey was supposed to speak at luncheon. He would like to have spoken at luncheon. But Senator Humphrey is also something of a public servant, perhaps something of a politician. I dare say he doesn't at any time in the future want to be faced with the argument, "Why weren't you in Congress this afternoon voting on the housing bill? Where were you?" Accordingly, he is here with us now, and it is my very great pleasure and privilege to present to you the one, the only Senator Hubert H. Humphrey.

[The audience rose and applauded.]

THE HONORABLE HUBERT H. HUMPHREY: Thank you, Mike, for that most appropriate and may I say helpful introduction for the record. I will want a full transcript of that just in case I do not get back in time for one of those votes. I would like to have it noted that I made a determined effort and a sacrifice beyond the call of duty, because there isn't anything that a politician likes better than a good free lunch where he has a chance to speak. Those two go together for men and women in political life.

Now I want to pay my respects to Mr. Beardsley who is Chairman of the morning session. I notice Mr. Beardsley

is from Miles Laboratories and I want to say, Mr. Beardsley, that I have sold a large amount of your products, and, ~~all~~ may I say, with a great sense of pride in the quality of the product and a sense of appreciation for the very fair return that you provide your retailers on that product. I have also passed out my share of those calendars that we used to give away in such abundance out in the Midwest.

I think that this is an excellent meeting that you are having here today, and I think that I am in reasonably good shape to participate in it. I should like to attend.

~~This morning I needed no Aika-Seltzer, and I think that I am in reasonably good shape to participate in this excellent meeting of yours. May I express my greetings to Mr. Howrey and to Mr. Willis. I regret that I was not here for Mr. Howrey's address. I got in at just the last part of it, but Mike has already filled me in and told me it was excellent, and, Mr. Willis, I want to join with you in this spirit of bipartisanship relating to this program of Fair Trade because your words are entirely accurate. There was a spirit of genuine cooperation, as there should be, on the issue of Fair Trade, the passage of the McGuire Act, and the firm determination on the part of members of Congress to see this program not only preserved but strengthened.~~

This noon I would gather that my friend, Dr. Walter Adams, is going to get the hors d'oeuvres and the full dinner and then proceed with the full speech. Walter, the folks are

mighty fortunate to have you as the luncheon speaker. ^{Walter} You ^{is} are not only a man of enlightenment and great knowledge and understanding of this problem, but ~~Walter is~~ an entertaining speaker. Furthermore, as a professor, he is in more need of the lunch than I am, and I am going to forego that pleasure and wing my way back to Washington where we do have a very important bill up ^{for debate.} ~~and~~ I understand that we will have several roll calls, and, ~~indeed, while I have no visions of any great future, may I say that~~ I do not want to ~~have a radio debate~~ in which I have to confess my ^{be} absence ^{to} ~~from~~ ^{As you know} roll calls. I try to keep a pretty good record on ^{attendance.} that.)

This is sort of like home week to me. I have been interested in Fair Trade as long as I can recall, and to be invited to this Silver Jubilee, this program of the Bureau of Education on Fair Trade is indeed a privilege.

(I have known Mr. ^{MORICE} Mermey, or, as we call him affectionately, Mike, for quite a period of time. I have ~~surely~~ known Dr. ^{John} Dargavel, who is a native Minnesotan and one of our most illustrious citizens, for an even longer period of time, and I ^{also} see that ^{Mr.} Herman Waller is out here, and I want to say ^{that} I ^{became} ~~got~~ well-acquainted with Herman in 1950-51 right after the Schwegmann case, during the period of the congressional action on the McGuire Act. To each and every one of them I want

to pay my tribute.

I note also that this afternoon one of our friends of the drug industry, Mr. Herman C. Nolen, the Executive Vice President of McKesson & Robbins, is going to speak. As a pharmacist, may I say that I take justifiable pride in citing for the record that I have dispensed my fair share of McKesson & Robbins pharmaceuticals, proprietaries and drugs, and I can give them a good testimonial that they could use in an ad that wouldn't cost them anything, either. I don't say I would be a gentleman of distinction, but at least I would be able to cite that it is a company of fine reputation and excellent products.)

TEXT BEGINS

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Twenty-five years ago, I was leaving the University of Minnesota, but not as a graduate. That ^{went} took place a few years later, eight years later. My education was interrupted not by my desire or even by the will of the officials of the university, which could well have happened, but ~~it was inter-~~ ^{rather}rupted because of a depression. I went home to be a part of the family business, a business which still operates and a business which I am proud to say is a little family corporation of which I am the president. We even make a little money once in a while in the business, all of which is very important, and, may I say, very pleasing.

But it was in 1931 that I first became deeply interested in Fair Trade legislation. My father was interested in it, and the merchants up and down our Main Street out there at Huron, South Dakota--because I lived in South Dakota in those days, my native state--were interested in it.

Your knowledge and remembrance of the depression here in the East, at least according to the official records, would indicate that it started after the Stock Market crash in the fall of 1929 and then moved with rapidity and hardship into 1930 and 1931. But let me assure this audience that the depression that I knew started in 1927, ~~1928~~, with the collapse of farm prices, ^{soon after there was} ~~with~~ the collapse of our ~~banking~~ ^{structure of} the independent banks in our part of the country, ^{and by} 1929 when I ^{would} ~~used~~ to read these articles about prosperity, I wondered whether ~~this~~ was some figment of somebody's imagination or hallucination or illusion because we ^{had been} ~~were~~ fighting for our ^{economic} lives two or three years before the official date of the beginning of the depression.

It was, of course, in 1931 that the word about Fair Trade started to spread, ^{It was then that} ~~when~~ legislative action started to take place, and it was at that time that I read about it, ^{and} became interested in it, ~~and~~ I can say here for the record that my father was one of the leaders in the fight for Fair

Trade in our part of the country ^{and} later on, as a member of a state legislature--he had politics as an avocation, not as a vocation--^{he} worked for and voted for Fair Trade legislation. So I did not have to have my arm twisted to be for it. I didn't have to be lobbied.

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I believe in this, and I take on all comers. ^P ~~May~~ I ^{should} say to Mr. Willis that I, too, have ~~been badgered at these tomato juice parties. [Off the record. You are not running for office.]~~ As I have sipped my glass of orange juice, I ~~have~~ had people come up to me and say, "Well, why shouldn't people get the lowest price they can get? Why shouldn't somebody have the right to sell at any price they want to sell?" ~~And,~~ interestingly enough, generally the person that says that is the very same person who wants certain standards for his or her profession or his or her vocation.

I have said to my friends, for example, in organized labor--and organized labor ought to be for Fair Trade, and I tell them so--"You want time and a half for overtime. You want a 40-hour week. You want the seniority system. You want a union shop. You want all of these things, and I think you have a right to have them. But if you want them for yourself, you had better be interested in other people having some code of professional conduct, of business conduct, of fair play

for themselves."

And I have said to my friends in agriculture, "We want price supports, we want an opportunity for marketing agreements. We want the end of what you might call promiscuous and devastating speculation in the commodity market. If we want all of this and we want it done by legislation, then be a little bit concerned about and considerate of the needs of other people in independent business enterprise for some standards of fair play in their field of activity."

In other words, ^{the various segments of} this great American integrated economy must take care not only of itself but of each other ^{themselves} ~~and~~ ^{also} I want to say, Mike, that the more ~~that we can~~ tell the story of Fair Trade as ^{well} but a set of standards, a set of rules of conduct in the market place for good merchandise, quality merchandise, for honorable merchandising as a means of not only protecting the manufacturer and the retailer but the consumer, ~~the more that we can tell that story,~~ the easier it is going to be to maintain a structure of Fair Trade legislation and to have an effective enforcement and adequate compliance.

I hope that those of you that are in this room, if you have an opportunity, will get out and talk to people in other walks of life. Quit talking to yourself. You are all

for it anyhow. I don't even know why I am giving you this speech. ~~You are for Fair Trade.~~ Where I ought to be is out at the Farm Bureau or the Farmers' Union, the CIO and the AFL. That is where I go to make this same kind of speech.

May I say frankly when the McGuire Act was up in Congress I called the representatives of all these great organizations that I have mentioned and say, "Look, of course you have a right to be opposed to legislation, a right to be for it, but I would like to plead the case for a set of business standards, for effective economic protection, legitimate protection, for an independent merchant, for a manufacturer of his goods and commodities ~~and~~ ^I would like to have you give me at least a respectful audience ~~and~~ ["] I don't think I am exaggerating when I say that as a result of some of those conversations with people outside of the business world, outside of the retail trades, outside of the manufacturing groups, ~~but as a result of conversations with labor and farmers we were~~ able to reduce a great deal of the opposition to the McGuire Act ~~and~~ ^I in fact, in many instances, ^{we} were able to get support. So my reply to you is, when you go back to your community, if you want to really make the program of education for Fair Trade effective, quit educating yourselves, even though you need to get pumped up a little bit once in a while. Take that

enthusiasm, that conviction, that knowledge that you, ^{have} and take it to somebody else. Talk about it to your men's club, ^{to your church groups} ~~in church, the church of your choice of faith, talk about it to your Kiwanis Club, the Rotary, the Cosmopolitan, the Exchange Club,~~ to whatever club you have a chance to talk. Get your story across to the people that are unconvinced.

I tried to indicate that this is important in such areas as foreign policy. You know, we Americans love to have people agree with us, so our most effective area of foreign policy is in the countries that have totally agreed with us because of common culture and political institutions or agreed with us because they can't do anything else but because we are picking up the tab, we are paying the bill. But may I say that while at least one of those areas is important, that of common culture and reasonably similar political institutions, it is the uncommitted areas, it is the unconvinced that need to be paid attention to. As a politician it isn't just the partisan you need, ~~to get~~. You have got to get the independent vote to get elected. And how many times I have seen those of us in public life, in political life, spend all of our time and energy talking to the people that are already convinced, ~~trying to sort of reconvince them or overconvince them, when~~ ^{ing} ~~make that mistake in educating the people about~~ ^{ing} ~~in fact you would be much better off to take that energy,~~ ^{lets not} ~~your~~ ^{your}

fair trade.

^{you} that enthusiasm, and what you feel is your knowledge and your experience, and go on out to the others and take the message to people that may be in doubt or that are unconcerned or that are even openly opposed to you in anything but pleasant opposition.

Well, I am going to skip over my prepared speech. I am going to say to the reporter, as we say in Congress, "I will hand this in and ask leave to have it printed as a part of the record," because so much has already been said of what I wanted to say. I do feel, however, that we ought to recognize that Fair Trade came into being as one of the by-products of the depression. In a sense it was protective; it was defensive. Now we ought to get away from that idea of its being protective and defensive. We ought to be for it on positive grounds rather than that if you don't have it it will be ruinous, even though I would say that that would have merit, that argument. We ought to be for Fair Trade because it is good for the country. We ought to be for Fair Trade because it is a part of a free enterprise economic system. We ought to be for Fair Trade because it makes for quality products. We ought to be for Fair Trade because it permits the continuation of what I believe is the integral part or the core, the heart, of a free economic system, the independent merchant.

That independent merchant needs to be heralded in this country. He is the backbone of this country. He is the one that serves the public and serves them at the will and the need of the public. We ought to be for Fair Trade because it is good for the consumer.

I hear many people say, and I get a lot of letters on this, "Why do these farmers deserve any help? If they can't make it with their little family farm, they ought to go out of business." That is what some people say. I have been so misquoted at times on agriculture that I want you to know that some of the things you hear are not what I say.

You see, I believe in the family farm. I am not sure that it is the most efficient, but I am not one of those Americans that thinks that efficiency is the most important thing in life. I think justice is much more important than efficiency, and I don't think the Government of the United States has a moral responsibility for efficiency but it does have a moral responsibility for justice. The first duty of government is justice, and in my book social justice, and social justice includes both political and economic justice.

The argument for a price support program for farmers is to maintain the kind of economy in which your children and your children's children can grow and mature into free

citizens. I am against any form of collectivism, private or public. I believe that the right of people to live and to grow and to develop as individual self-sustaining respected citizens, and I know that the beauty of government is to establish a legal structure in which that objective is possible of fulfillment. This is why I have supported many of the aims of the labor group or of laboring people, because it is not right to say, "Well, after all, I can get somebody cheaper, ^{to do it} ~~so~~ I am sorry, ^{you will have to go} ~~get out of my way.~~" The law of the jungle will soon kill even the most powerful ^{ful} beast in the jungle, and if you want the law of the jungle, then prepare yourself for the kind of habits and practices that prevail in the jungle.

But what you and I are trying to do is to get away from that. We are trying to build a social fabric in this country that permits people to grow and to develop their talents and their ability and to make their contribution to American life ^{and} ~~and~~ sometimes we have to establish by law guide lines, patterns, molds, so the kind of society that we would like to have is sustained and developed because sometimes it does not happen automatically. Automatically what might happen is that the strong get stronger, the rich get richer, the weak get weaker and fewer, and the poor become poorer and more in number.

So, ladies and gentlemen, I hope that we will take a philosophical point of view on Fair Trade and not just talk about it as economics, even though that is important. If all we were interested in was so-called business efficiency and economics, maybe we could make a case for just the cut-rater or for the large operator. But you have got to make up your mind here and now, do you want a corner drug store in your town? Do you want an independently owned hardware store in your town? Do you want an electrical appliance store in your town owned by somebody in your town, an independent merchant? If you want that, then you have to establish the guide lines by law and ^{custom} ~~habit~~ and tradition that make it possible.

I will never get myself involved in this unending argument as to whether or not this is more profitable or more efficient. I have used this statement before, and you will have to forgive me if I repeat it, but you can read the Old Testament and the New Testament, the writings of Thomas Aquinas and St. Augustine, you can read the Magna Carta, the Declaration of Independence and the Constitution of the United States and the Emancipation Proclamation, and, ladies and gentlemen, the word "efficiency" never once appears. But what does appear is justice, fairness, liberty, freedom, compassion,

good, bad, words that have so much meaning to us.

Do not misunderstand me. I am not here to deprecate, I am not here to underestimate the importance of business efficiency, because you have to have efficiency to survive, but what I am saying is when it comes to public policy, and public policy is not always the same as private business, it appears to me that the duty of government is to provide by law the guide lines and the standards which make possible the kind of a society that you and I want to live in. Make up your mind what kind you want to live in. If you want to live in a society in which there are only a half dozen large super markets in one town, they can serve everybody in town if you get enough parking lots. But if you want to live in a society where there are hundreds, yes thousands of independent entrepreneurs, then you have got to lay down the guide lines and you have got to see that they are enforced and that they are respected or everything else will get out of joint.

Well, this is what the Bureau of Education for Fair Trade has been trying to say. They have been trying to tell people the importance of Fair Trade as a code of conduct in the market place.

Many people would have us believe that this past year or so the fabric of Fair Trade, the standards of Fair

Trade, are being weakened. In fact, there has been some indication in the words of some that it is on its way out. For example, the decisions of Shaeffer and Westinghouse at the turn of the year to abandon Fair Trade was hailed by the opponents of Fair Trade as the beginning of the end for Fair Trade. Now we have seen that such observations were not only invalid but they indicated the total disregard for the voluntary aspect of Fair Trade, for Fair Trade is completely voluntary at all levels. The manufacturer freely elects for Fair Trade, Fair Trading his products, and he is permitted to do so as long as the product is branded or trade-marked and he is in free and open competition with products from the same general class. The retailer in electing, freely electing, to sell Fair Trade products agrees to adhere to the manufacturer's Fair Trade price.

The voluntary aspect of Fair Trade is its ultimate strength, as it is generally the truth that when people freely and voluntarily accept to do something then they are observing the law out of willful decision, out of habit, out of desire, out of need.

As I said, the voluntary aspect of Fair Trade is its strength, for it provides assurance to the manufacturer that his product will not be subject to the ruinous effect

of price-cutting which dissipate the public's respect for the quality and the value of his product. It assures the retailer of a reasonable profit¹ and I want to emphasize that we ought to be pointing out ~~on Fair Trade~~ that what Fair Trade provides ~~amounts to~~ is only a reasonable profit, and I am of the conviction that every man is entitled to a fair wage for his labor, a fair price for his product, and a reasonable profit² for his services and his goods. Every American believes in that ~~and I said that~~ If we take the case of Fair Trade out to the people on the basis that it provides only a reasonable profit upon goods, a reasonable profit related to investment, a reasonable profit related to service, and also that it provides for a standard of quality which makes possible better goods, a continuous flow of goods, merchandise and service, that we have a case that cannot be destroyed by any kind of argument. And, believe me, the consumer is protected. The manufacturer and the retailer alike know that it is to their advantage to offer quality merchandise at competitive prices³ and we ought to emphasize that Fair Trade prices are competitive. They are competitive in the same general class of goods.

Competition, as I have said before, does not mean destruction. The purpose of competition is building. The purpose of competition is bigger markets. The purpose of

competition is better goods. The purpose of competition is better service.

When some people equate competition with destruction, with just chewing up the market, consuming all that is available, they are misinterpreting the whole spirit of free competition in a free society because competition itself is an honorable term. It does not mean ruthless competition any more than competition on the gridiron means that you have a right to come in with brass knuckles and brickbats just to win the game. Competition is within rules. Every event in our personal lives is related to a code of rules. And surely competition on the athletic field, competition in everything that you can think of, is guided by rules, and we that are interested in Fair Trade ought to make it crystal-clear that what we are asking for is a code of rules.

I want to talk to you about a group in this country that apparently feel that rules are not necessary even though they are beginning to pay the price for their inequities and their evil-doing. *This group is composed of the so-called discounters.* We have got to point out the devious methods *such as* ~~employed by the so-called discounters~~ in their operations, ~~the devious methods employed by these discounters~~ in switching substandard or inferior merchandise to the purchaser through deceptive advertising or merchandising techniques. The

they

consumer must be educated to realize that he gets no more than he pays for, and sometimes less.

Even the discounters seem to be realizing their folly, and there are reports that a number of the marginal discount houses are throwing in the so-called economic and political towel. ^{A merchant} You can only have so many loss-leaders and stay in business unless ^{you} you can hoodwink the public into taking other than ^{the} advertised merchandise. ^{the} You can't fool all the people all the time. They have done a good job of it in some areas for quite a ^{long} period of time, ^{but} but I think we ought to make it crystal-clear that, as everyone knows, unless you make a fair and reasonable profit you cannot possibly stay in business, and if they are giving away what you call name-brand or trade-marked products at prices that are less than cost or at the level of cost to the other purchaser in the retail market, then indeed they have got to be taking somebody over the jumps on other commodities at excess profits. I find that people are pretty reasonable if you get to them and tell them this message.

The greatest discreditor of the Fair Trade program is the so-called Fair Trade manufacturer who knowingly sells to the discounters ^{and} and if there are any of them here in this room, I want ^{them} you to know that I think that ^{this} that is an

inexcusable, an almost diabolical act^x and ^{one} If you believe in Fair Trade ^{he} you ought not to be conorting with and associating with the people who are out to kill it and disgrace it. ^{The} ^{retailers} ought to tell the manufacturers just how you feel about it^x too; write them a letter like some of our constituents write those of us in public office, and then ask for a reply; and then write him a second one just in case you didn't get the right reply the first time.

These firms that connive with and satisfy the requirements of the discounters are not only cutting their own throats but also those of the retailers who carry their products as a result of the Fair Trade program. Such manufacturers should either effectively enforce their programs or give up Fair Trading altogether. A half-and-half Fair Trader renders a disservice to Fair Trade and he destroys the faith that has been built up in it over the years.

By consolidating their position, Fair Traders can move to a greater position of strength. Our educational approach that I have talked about here today must not only point out the advantages of Fair Trade but I repeat must awaken the public to the nefarious devices employed by discounters throughout the land.

The Bureau here is devoting a great ^{deal} of its time to

this, and indeed it should; but it cannot carry the full load; it cannot carry this program of enlightenment alone. Every person that is interested in Fair Trade has got to do his part, and you have got to become crusaders in this field in your respective communities.

Let me talk to you just briefly as I draw this message to a conclusion about the study of the Senate Subcommittee on retail distribution and Fair Trade practices. As I announced in Atlantic City, if any of you were at the National Association of Retail Druggists some eight or nine months ago, we were going to launch this study, and we have done it. The results are now being tabulated, and it is all going to be published so you will have an opportunity to read the findings of our nationwide inventory and analysis of what is going on in Fair Trade.

The questionnaire, for example, called on the manufacturers to give information about their views on Fair Trade practices and their effectiveness in the market place to date. Questionnaires went to manufacturers and to retailers, separate questionnaires. The questions centered around the manufacturers' Fair Trading practices and enforcement policies, how much he was spending for enforcement, how much time he was putting into it, how many people

he had assigned to it, and his general attitude on Fair Trade. We tried to draw out the manufacturers on the broadest possible scale as to their feelings about the Fair Trade program.

Over 75 per cent of the manufacturers who responded-- and by the way the response was wonderful; I want to say we had excellent cooperation--over 75 per cent of the manufacturers who indicated an opinion said that Fair Trade in their respective industries has operated well in the market place.

This is an overwhelming endorsement, and I think it is rather reassuring. Furthermore it indicates that Fair Trading manufacturers are effectively implementing their programs, for it is a well settled fact that Fair Trade only operate effectively when it is enforced, when there is cooperation by the manufacturer with the retailer.

A striking statistic brought out by our study is the large number of firms that have been Fair Trading virtually the full life of Fair Trade. It is interesting to note that over half of the first who indicated the number of years they have Fair Traded stated that their resale price maintenance programs had been carried on between 16 and 20 years. The tenacity of these Fair Traders through the years, in maintaining their Fair Trade programs and enforcing

them, I think is indicative of the strength of Fair Trade, its acceptance and its meaning, and it is furthermore ^{I feel that it is} an indication of what we can expect on a greater scale during the next four years.

The three leading categories of Fair Trade products on the basis of the replies that we received are as follows: Drugs and pharmaceuticals and those other products that we associate with the modern retail pharmacy, such as cosmetics and perfumes. They ran first. As a matter of fact they were well out in front. Then they were followed by household wares and clothing in second and third place, respectively. By the same token, drugs and pharmaceuticals and cosmetics represented the largest category of Fair Traded articles carried by retailers.

I should like to say that the representation here today and the organization we honor on this occasion are to be commended for their efforts and congratulated on their success in this particular field of Fair Trade. As evidenced by our study, your handiwork has proved well.

Like everything else, Fair Traders have encountered a number of difficulties, of course, in their primary operations. This was to be expected. For example, a third of the manufacturers indicated that they have not encountered

any major problems in enforcing their Fair Trade agreements. However, the majority indicated that they have run up against a number of problems some of which are very perplexing. Our report pointed out chief among these problems has been the extent of implementing the Fair Trade programs by manufacturers. These costs have been alluded to by Mr. Willis. They are costs that relate to the litigation and the problems of enforcement. These problems are all-inclusive and are based largely on adverse court decisions. But may I just make a note of caution here and of admonition. Do not hesitate to go to court. Do not hesitate to get the best legal counsel you can get. The only way that I know of that the Fair Trade program can be struck down is if you start to penny-pinchoor to be a little bit indifferent as to the legal problems involved in this Fair Trade program. Get ^{the} good attorney, ~~pay~~ ~~well~~, and go to court. Challenge every single instance, and challenge it effectively. As Mr. Willis has pointed out, many of these judges do change their minds. They do not hesitate to reverse themselves when the facts are made available.

John Now, just a few more observations about the study, and then I want to leave you to someone else. You know, it was impossible for our committee to poll directly the 1,800,000 retail firms throughout the country. Therefore the

committee employed ~~what we thought was~~ a scientific sampling process arranged by the Bureau of Census, Department of Commerce.

The response of the retailers ran ahead of the manufacturers' figure and was at the rate of 67 per cent of the total. Other than the largest category of Fair Traded articles which I have already mentioned, the products in order of relative importance were electrical appliances, jewelry, auto accessories and hardware, food products, sports goods, clothing, alcoholic beverages, and books.

Over half of the retailers responding to the questionnaire indicated that they are not signers of Fair Trade agreements. This is significant inasmuch as it indicates that a large proportion of the firms selling Fair Traded merchandise and abiding by Fair Trade prices have not negotiated any type of Fair Trade agreement. Although they are legally bound in most jurisdictions where there is a single signer, my feeling is that it is not enough merely to be legally bound to Fair Trade. It seems to me one of the best ways to acquaint merchants about Fair Trade is to engage in a concerted campaign to have those firms that are selling Fair Traded merchandise and abiding by Fair Trade practices to become signers, to affix their signature to a Fair Trade

agreement. Then you can get to them. Then you can talk to them. Then they become a part of the great multitude of people and firms that are interested in an effective Fair Trade program.

The retailers find that Fair Trade is operating rather well in their areas. More than 60 per cent of the retailers writing about the status of Fair Trade indicated that it operates satisfactorily or very effectively in their markets. This sounds good, and it is, but it isn't good enough.

For the majority of retailers expressing themselves on Fair Trade's position today, that is, its comparison today in terms of a few years ago, found it weaker today. They say it is working fairly well all right. They are reasonably pleased, but they say the position of Fair Trade in their communities, the position of Fair Trade in their area of economic activity is weaker today than five years ago.

There are, of course, well-known contributing factors. Some of these court decisions that have been alluded to and mentioned here today--the adverse Schwegmann decision and its resulting price wars, the effect of that case just opened up a Pandora's box of troubles, and as you well know, throughout the whole nation, it resulted in

wholesale price-cutting and price wars until corrective action could be taken in the legislature, in the Congress.

The retailers indicated quite validly that they feel that in order to make Fair Trade laws more effective manufacturers should increase their enforcement and refuse to sell to violators of their Fair Trade contracts. I ^{should} think ~~without exception~~ ^{that} every retailer felt that way.

Of particular interest to the Fair Trade manufacturers is the fact that over half of the retailers indicated that it is their policy to push the products of manufacturers who have active Fair Trade programs.

And, Mr. Retailer, I would make it quite clear to the manufacturers that if you play fair with us, if you enforce your Fair Trade program and you continue to produce a quality product, we will be the merchandisers, we will do the pushing, we will do the selling, we will give you the advantage in our outlets, in our markets. But if you don't-- and remember that he who giveth can take away--then don't expect any cooperation. That is not a reprisal. That is simply elemental justice. And I think the sooner that there is a complete meeting of the minds between manufacturers and retailers that you are in this thing together, the better we are going to be off.

May I say furthermore, ^{whenever} ~~at times~~ you see ^{encounter} ~~an instance~~
~~where~~ a manufacturer is selling to a noncomplier, ^a the dis-
 counter, or a manufacturer is lackadaisical in his enforce-
 ment. ~~In such cases I would recommend that the trade associa-~~
~~tion of the particular retail group that you belong to, that~~
 you call on that manufacturer and you ask him pointblank,
 "Are we going to have Fair Trade or aren't we? We can't be
 half in and half out. If you are going to have Fair Trade,
 we are prepared to give you wholehearted cooperation; push
 your products, do everything we can to make it economically
 possible for you. But if you are not going to have it, we
 want to know, too, because remember this, for every Fair
 Traded product there is another competing product that is not
 Fair Traded." For every kind of pen or pencil, for every kind
 of an electrical appliance that is not Fair Traded there is
 one that is. I have been in business long enough to know that
 if you are a reasonably active and alert salesman you can sell
 what you want to sell if there is quality merchandise in your
 store, and when the retailer begins to make the manufacturer
 appreciate that he is playing for keeps, that he believes
 in the program, that he wants enforcement, that he wants co-
 operation, then there is going to be this wholehearted co-
 operation up and down the line, and may I say conversely, when

a manufacturer finds a retailer that does not comply and does not cooperate, ^{the} that manufacturer ought to ^{immediate enforcement} take that case up with the association, with the trade group that is in violation and refuses to comply and state very frankly ^{for} that it is the retailer who in the ultimate can destroy the whole Fair Trading program. If he gets too hungry for just a little extra gross revenue in the cash register and doesn't apparently understand the net revenue aspect of business, if he gets too hungry for that and starts to break the law, to destroy the agreements, then the manufacturer ought to say very frankly to him, "It is all off ^{the}" because, after all, remember this, ~~that~~ the manufacturer is not hurt one-tenth as much by price-cutting as the retailer. The manufacturer generally gets his basic manufacturer's price ^{and} if retailers are foolish enough to fall into that trap and into the false philosophy of trying to give away merchandise because it makes a tinkle in the cash register and a sum total at the end of the day that looks good without any real appreciation of the net for the year or the month, then the manufacturer has every right to say that the retailer has destroyed or is in the process of destroying the protections which the Government of the United States, the legislatures of the states and the others have built for their health. *No one has a right to sit back and watch a suicide or permit activity that will eventually be a dead knell for another. And when manufacturers through inactivity*

permit discounting — they are
guilty of just that.

Well, I have said more than I should have. I don't know if I said it well. But I have talked on this so much that I almost feel that it is repetition. I hope that this conference will do what it is designed to do, not merely be a testimonial, not merely to be a method or means of being able to pat ourselves on the back, those of us that have believed in Fair Trade, but to design new programs, new means of education, and to reaffirm our dedication and to spread the glad tidings and the good word to other people.

If there is one thing I want you to remember from what I have said today it is that no program is any better than the acceptance of the public. This ^{is} true of every single decision that is made. While public relations is no substitute for public policy and while public relations, as I see it, is no substitute for public service; public relations is an important part of the American economic and social structure. Your job is to educate first of all those who are in the business, who are in need of Fair Trade, and then secondly to educate the public so that the opponents of Fair Trade will not have such a receptive audience, and they do have a receptive audience today, ladies and gentlemen. They have a receptive audience because all too often our aims and objectives have never been understood. ~~API~~ too

failed to explain

often we have ~~never~~ related what we are seeking in independent business as compared to what other people seek in their areas of life, and I suggest that we share these experiences, that we relate the similarity ^{of} to Fair Trade, to fair labor standards, to Fair Trade, my friends, with price supports, to Fair Trade with ^{the} tariff laws, to Fair Trade with reasonable rates, for commerce, to Fair Trade with the Federal Reserve System and the banking structure with interest rates. Let's get our story across. I think we can do it. Thank you very much.

[The audience rose and applauded.]

CHAIRMAN MERMEY: Thank you, Mr. Senator. The Senator is a little bit too modest. He forgot to say that he not only talks about Fair Trade but he does something about it. I think the Senator was more responsible than anybody else in the United States for getting the major oil companies to Fair Trade in the State of New Jersey where for several years we have had a terrific price war. Thank you again, Mr. Senator.

Gentlemen, we were to have, as you know, a question-and-answer session. It is now five minutes of twelve. Luncheon starts at twelve-fifteen, I believe, and it would seem to me far more desirable for you to take a few minutes and get

to the luncheon. I do hope that all of you here will tell those who were not here but who are at the luncheon that honest to goodness Senator Humphrey was here and that he did speak. They just didn't get around in time. Thanks very much.

[The session adjourned at eleven fifty-five o'clock.]



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