

1250  
33

LITCHFIELD SPEECH

July 4, 1932

Ten years ago, upon leaving for Washington to accept my appointment to the Federal Trade Commission, I was highly honored at a banquet given me by the members of our community. That is one night I shall never forget. I continue to consider that occasion as evidence of heartfelt loyalty and support of my life-long friends. In appearing before you today, I am home once again, and I feel it not only my responsibility, but my duty to, in a sense, report back to you.

Today is the Fourth of July. On this day, in the year 1776, our forefathers signed that instrument which proclaimed to the world that our Nation had won its independence. We declared it to be our inalienable right to seek life, liberty and the pursuit of happiness under our own self-made laws. By signing that "greatest charter of liberty of all time", we believed we had shaken off the shackles of oppression once and for all.

On this Independence Day of 1932, it is perhaps more fitting than ever that we should rededicate ourselves to those sound principles on which our Nation was founded. Civilization, in all ages, has fought for freedom. It is democracy's

objective and major goal.

In drafting the Constitution, our compatriots had but one thought in mind, and that thought was liberty. Translated into more specific terms, they were seeking to establish a Nation where individual initiative and honest labor would have an opportunity to flourish and to receive just rewards -- a Nation where a man's dollar paid is worth a man's dollar earned.

Newspapers throughout the land bring us word daily of the utter collapse of these principles in other parts of the world. Blood is being shed, territories are being gained -- and freedom is being lost. Other peoples are clamoring for dictatorships, -- and I say to you that, like lost sheep, they know not where they are going. They are seeking what for almost two centuries we have sought to divest ourselves, namely, fetters to our economic and political well-being.

These problems are regrettably not those alone of our neighbors across the seas. They are our problems as well. They are our problems, first, because we have determined to steer our course free

of tyranny. They are our problems, second, because we see tendencies in our own country which, if allowed to go uncurbed, will strangle our entire economic life.

Specifically, if we are to preserve our precious heritage of self-government, individual enterprise and personal freedom, we must be on unfailing guard against exploitation of one group at the hands of another; we must guard against vicious deception of the masses, indulged in for the gain of the few; we must guard against those cut-throat practices which deny a fair and reasonable profit to the individual farmer and merchant. In a word, my friends, we must guard ourselves against the ravages of monopoly.

If we are to cherish our system of private property and free enterprise, we must be determined to defend it. As I have said on numerous occasions -- and I say it again today -- we must preserve it because it is the very foundation of our traditional American system. Throw the flood-gates of enterprise open to monopoly and concentration of wealth and power, and democracy itself is lost.

I know of no better illustration of the inroads monopoly has made in our national welfare

than in the field of agriculture. Agriculture is the means of livelihood of over one-third of the Nation. During the Twenties, corporate profits soared, but the price of the farmer's products continually fell. Together with them, fell his profits.

The explanation of this outrageous condition is simple. The farmer is a Simon pure, individual business unit. He makes his living by raising and distributing his products in a highly competitive market. Industry, however, had largely seceded from the competitive system and was squeezing the farmer with monopolistic prices on the goods he bought.

To protect both the Nation and the individual as well against precisely this sort of condition, the Congress, in 1914, established the Federal Trade Commission. It was the country's only hope of preventing monopoly from engulfing our people. By that time, it had become apparent that largely through the use of unfair and deceptive acts and practices in competition, monopoly was able to gain a foothold. The Federal Trade Commission is your administrative body set up to preserve wholesale competition, and to make known to the public unhealthy conditions existing in particular industries.

What does the Federal Trade Commission do to protect you?

I do not mean to overwhelm you with statistics, but during the past six years, for example, the Commission has investigated over 25,000 cases involving commodities of every description. These cases deal with every known type of unfair competition. I say every known type, because, when one kind of practice is stamped out a brand new kind will spring up to take its place. That is one reason we are kept so busy.

Last year alone, the Commission investigated a total of more than 3,000 complaints of unfair practices. These complaints were received primarily from competitors and members of the purchasing public. The majority of these parties appealed for redress to the Commission because of the prohibitive expense and burden of private litigation. They are financially unable to protect themselves.

I could list you at least thirty varieties of unfair practices which the Commission has ordered to be discontinued. Perhaps the most prominent include every conceivable commodity -- food, clothing, drugs, and all types of machinery. Such advertising is shrewdly calculated to mislead you as purchasers and to injure the business of competitors.

Other methods adopted to both cheat the public and to snuff out competition and the honest business man, involve misbranding of fabrics, the bribing of customers to secure patronage, and even the procuring of trade secrets by means of spy systems.

It is apparent that would-be monopolists will stop at nothing. They bribe employees of their competitors to break contracts of employment; they ruthlessly name honest opponents in the field as cheaters and chisellers; they pass off their own inferior products as being those of a reliable manufacturer; they will even rebuild a delapidated mattress and sell it as new! Human ingenuity knows no bounds, it seems, where an illegal gain is sought.

I know you will be interested in a case the Commission completed just last year involving such a familiar commodity as corn-cribbing. The facts were simply these: a prominent corporation in Illinois called in one day the heads of three of its competitors. Together, these four companies produced practically all the cribbing sold in the country. The result of this meeting was a secret agreement between the four to fix and maintain

uniform prices wherever the cribbing may be sold; they decided upon what price to charge and what discounts they would allow. Competition between them was completely eliminated. I inquire of you, in the face of such a combination how far will your bushel of wheat go?

The Commission, in this case, served these firms with its order to cease and desist from these practices. Normal competition will accordingly be eventually restored, to the end that the public -- you farmers -- may receive your money's worth.

As I have stated, the Commission, from time to time, as the Congress may direct, promulgates thorough investigations of entire industries to determine whether or not the forces of fair competition are being interfered with. What, you ask, do the results of these investigations mean to you?

The year of my appointment to the Commission witnessed the beginning of one of the most far-flung investigations ever undertaken. I refer to our sweeping examination of the Public Utilities. Before the first year of the eight-year investigation was ended, trade journals reported consumer savings

resulting from electric rate reductions in the sum of over 7 million dollars. Before another three years elapsed, consumer savings totaled well over 100 million dollars. This means 100 million dollars in your pockets, ladies and gentlemen, rather than in the coffers of the Public Utilities.

Perhaps the most significant feature of this illustration is the fact that these rate reductions were all entirely voluntary -- and made at a time when the investigation still had four years to run. Like the reaction of a festering sore upon exposure to the rays of the sun, we thus observe the curative effects of publicity alone.

Only last year, the Federal Trade Commission completed its investigation of the Farm Machinery Industry. This exhaustive study was a result of a resolution offered in the Senate by Mr. Wheeler of Montana, and of a similar resolution offered in the House of Representatives by your own Congressman, Mr. Knutson of Minnesota. Of the many industries investigated by the Commission, including Iron and Steel, Rayon, Chain Stores, and Milk, we found that there are few, if any,

commodities in which the manufacturer receives such a large proportion of the farmer's dollar as he does from the sale of farm machinery. To be exact, of the total price paid by the farmer, the manufacturer was found to realize between 75 and 78%.

Not only this, but the investigation disclosed that although the prices of your oats, wheat and corn were only 44% higher in 1929 than they were in 1913, the prices of farm implements in 1929 were 58% higher. In other words, while your income was decreasing, boosted by higher prices, the profits of the farm machinery manufacturers were increasing! Here, indeed, is an example of monopoly at work.

As our report indicates, these results were reached by the gradual absorption by one major farm machinery manufacturer of the assets of others with which it was formerly and naturally competing. Once the combination was accomplished, prices were fixed, the welfare of the farmer forgotten, -- and profits to the monopoly assured.

Our anti-trust laws at the present time are inadequate to attack this procedure of one corporation acquiring the assets of another.

Accordingly, the Commission's recommendation to Congress was that these laws be amended so as to enable us to attack cancerous practices of this type at their very roots. We must kill the sapling lest it grow into a colossus.

As must be apparent to you, much work remains to be done. But I am happy to say -- and I believe it is particularly apropos of this day -- that I consider it a distinct honor and privilege to serve as a member of a branch of our Government that stands for freedom -- freedom and equality and fairness to all.

In the last analysis, the fundamental principle underlying the Federal Trade Commission Act -- the goal toward which the Commission is daily striving -- is free, open and fair competition. With the collapse of this system must fall our great democracy.