Individualism, the Ideal of American Business

Address by
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Individual achievement is the chief characteristic of the American social philosophy. Through the bold independence and self-reliance of its citizenry the nation has attained its amazing prosperity and power. The ideals of this American individualism have been summarized by Herbert Hoover in these notable words:

"That while we build our society upon the attainment of the individual, we shall safeguard to every individual an equality of opportunity to take that position in the community to which his intelligence, character, ability, and ambition entitle him; that we keep the social solution free from frozen strata of classes; that we shall stimulate effort of each individual to achievement; that through an enlarging sense of responsibility and understanding we shall assist him to this attainment; while he in turn must stand up to the emery wheel of competition."

The preservation of these ideals of individualism must be the first care of every American. They are threatened whenever any group or interest gains an ascendency or power which enables it to exercise a coercive influence in any community or industry. They may be impaired or destroyed by combinations of capitalists, laborers or agrarians; or by organizations of religious or racial groups. They decree that every individual shall have an equal right to embark on the sea of opportunity and contend against the currents of free and open competition. They are expressed by the American spirit of fair play.

An ever-present danger to these fundamental principles of Americanism is the undue concentration of economic power in the hands of a few. There is ingrained in every American an instinctive dread of monopoly. Nevertheless a few short-sighted leaders, possibly the victims of a false philosophy, possibly lured by prospects of surcease of competition, or by visions of great power through control of vast properties, have contended for the unrestricted right of combination. They would project their consolidations laterally and perpendicularly across every industry, until all producers and traders are transformed into hirelings and every incentive for increase in efficiency and improvement in products disappears. The repercussions of such a policy defy prediction.

It was apprehension of the blight of monopoly which led to the enactment of the Sherman Antitrust Law in 1890. The speeches made in Congress at that time by statesmen venerated for conservatism were tinged with a note of radicalism. The country was thoroughly aroused by vast accumulations of
wealth. There had been enormous development of corporate organizations which afforded a facility for combination. Under the increasing liberality in the laws of the States corporations had profited by acquiring the power to hold the stock of other corporations. The facility thus afforded had been utilized, and many combinations, popularly known as trusts, had been formed. The resulting situation was fraught with the gravest consequences to the economic and social well-being of the country.

Congress had a choice of means of dealing with this problem. It could recognize the legality of the trusts and endeavor to control them in the public interest; or it could prohibit their formation altogether, or only when the resulting restraint of trade was undue and unreasonable. The first proposal seemingly did not suggest itself to the hardy individualists of that day, and an act of absolute prohibition was passed. It was not until twenty-one years later that the Supreme Court decided that the common law formula employed by the law-makers was not all-inclusive and embraced only combinations which because of their inherent nature or demonstrated effect were in unreasonable restraint of trade.

The remedy prescribed was in keeping with the ideal which it was intended to preserve. Congress did not enthron e wealth and provide that its sway should be benevolent. It did not undertake to regulate the details of private business or to limit the rewards of enterprise and genius. It merely gave statutory sanction to the ideal of free and open competition, and provided against blocking the highways of commerce by unrestricted combination. No man who demands for himself the right to work out his destiny free from the coercive action of others can cavil at the policy of the Sherman Law, unless he numbers himself among those who demand for themselves a larger measure of protection under the law than they are willing to concede to others.

It is amazing sometimes to hear business men inveigh against the antitrust laws and the policy of fair play which those laws prescribe. It is not too much to say that those men, in many cases, owe their existence as independent traders to the protection of the laws they condemn. Another frequent charge is that the antitrust laws militate against efficiency. Nothing could be farther from the truth. Efficiency is born of the stimulus and necessities of competition. Occasionally business tries to avoid this salutary test of efficiency by combinations and price agreements or by attempting otherwise to protect the inefficient members of an industry. The evils of such restraints of trade, viewed solely from the economic standpoint, are to be found, perhaps, more in the development of inefficiency than in the extortion which is involved.

The irrefragable arguments in favor of private business over governmentally operated business depend almost wholly on the existence and activity of the competitive principle, and once that factor is eliminated all the most important advantages of private business will vanish, while positive overwhelming advantages will appear in favor of government business.

Those, therefore, who are in favor of private business and are opposed to the conduct of business generally by the government - that is, socialism -
logically should be the strongest defenders of the competitive principle, and if they are not, either their mental powers or their motives are open to question.

In any case it is a fallacy to assume that the great god Efficiency dwells in big organizations alone. Beyond certain minima efficiency has no necessary relation to size. The peak of efficiency may be attained when a concern has reached a certain volume of production, or has acquired necessary labor-saving machinery, or has reached any one of numerous standards. Even the elimination of waste material and the recovery and sale of by-products, the proud boast of many great organizations, actually may mean a loss in efficiency. The inspired conservationist who insists upon the utilization of every twig on the tree may be creating a labor waste that will in the end spell ruin.

The Treasury Department's statistics of income for 1919 (the only year for which these figures have been published) show that in the matter of relation of net earnings to invested capital moderate sized corporations are decidedly more efficient than the huge super-corporations. Thus in corporations having an invested capital of from $10,000 to $30,000, the per cent of net income to invested capital was 21.16; in corporations of from $30,000 to $100,000, 17.53 per cent; of from $100,000 to $300,000, 17.30 per cent; of from $300,000 to $1,000,000, 18.21 per cent; of $1,000,000 to $3,000,000, 17.71 per cent; of $3,000,000 to $10,000,000, 15.14 per cent; $10,000,000 to $30,000,000, 13.67 per cent; $30,000,000 to $100,000,000, 10.06 per cent; $100,000,000 and over 9.63 per cent.

The truth is that the maximum of efficiency resides in that corporation which, while large enough to have attained a sufficient volume of production and to have acquired the necessary equipment to insure economy of operation, still has not outgrown the ability of one man or one family to conduct its affairs. In the most efficient organizations there usually is a single individual, affectionately or opprobriously known as the "Old Man", who enforces uniform methods—his methods—in all branches; whose character and personality are reflected in all the acts and policies of the concern; and who holds the regard and loyalty of the organization. To prevent the transformation of such individuals and groups into mere cogs of great corporate machines is properly the care and policy of the nation.

A popular complaint that has been reduced to a formula is that of "too much government in business." There is a perpetual clamor against bureaucracy in Washington. Statesmen who each year vote for the establishment of new bureaus are often the most articulate in denouncing bureaus and bureaucrats. The number increases, possibly at an alarming rate; but they are created by the duly elected representatives of the people, not by their oppressors. In truth these bureaus and commissions have been found a convenient and reasonably efficient means of administering the laws. They are bi-partisan, which is the nearest approach to non-partisan possible under our form of government. They employ a corps of trained experts who take pride in their work; and who, when unhampered by the demands of politicians that they persecute political opponents who are innocent, or ignore the transgressions of political favorites who are guilty, perform their duties to the satisfaction of the majority of the country.
This outcry to the extent that it is directed against the enforcement of the laws against restraint of trade and unfair competition, is unwarranted, and I sometimes wonder whether those responsible for it have considered the possible alternatives. The experience of 1890 is ample warning that the people will not submit to a reign of license wherein their economic and social welfare and aspirations are at the mercy of a few powerful and designing men. It is inevitable that should existing restraints and regulations be removed, they would promptly be replaced by new and more onerous forms of regulation. There are many who now hold the view that business should enjoy the unrestricted right of combination, subject to the power of the government to fix prices, control earnings, establish standards of wages and employment, and generally to take over the management and control of business.

It may well be that the alternative to existing regulations is not less regulation but more regulation; that the abolition of existing bureaus would result in the creation of more bureaus and bureaucrats. The existing establishments stand as a necessary buffer between the interests of business and the public, to the extent that they conflict. History teaches that they may even stand between the established order and the mob. Unrest is quieted by the knowledge that equality of opportunity is being preserved. It is engendered by the feeling that one class or interest enjoys privileges and immunities from which others are excluded. In the long run it may be wiser to abide the bureaucrats who are content to umpire the game of business than to risk or invite the bureaucrats who would play the game for you.

Much of the impatience with governmental interference arises from the mistaken notion that business is a purely private affair and not a matter of public concern. A brief survey of the privileges which business enjoys under the law exposes the fallacy of that view. It must be remembered that there is no natural right to transact business through corporations with the attendant limitation of liability. General incorporation laws have rendered easy the formation of these organizations but have not changed the essential nature of the act as the conference of a sovereign privilege. The tariff laws, the laws regulating common carriers and shipping, and many others are designed largely for the protection of business, although all citizens share in the benefits. In view of this it is reasonable to say that the government, State or National, has no legitimate interest in the conduct of business and is not justified in intervening to prevent monopoly or unfair competition and to gather such information as may be necessary to permit of the formulation of policies in respect thereof.

The power of the government through the Federal Trade Commission to compel the furnishing of information necessary to determine the basis for charges of post-war profiteering was litigated for six years and the Supreme Court has recently resolved the case on a technicality without throwing light on the question. It would be inappropriate, certainly unnecessary, for me to express any view concerning the breadth of the demands for information that were involved in that proceeding; but as to the broad power of the Federal Government, through the Federal Trade Commission or otherwise, to require the production of necessary data on which to formulate policies and enact legislation, I entertain no doubt. In resisting the exercise of this power business men and their lawyers proceed upon the mistaken assumption.
that the results will be wholly detrimental to their interests. The fact is that upon the sustaining of this power depends the ability of the government to enact wise measures founded upon the facts of business and not based wholly on considerations of politics and expediency.

Sound up in the determination of the question also is the power to gather information of the greatest value to the business world. The need of comprehensive statistical information for the intelligent conduct of business is recognized by all who are conversant with the subject, and it is the professed purpose of the majority of trade associations. The end to be served by disseminating such information, namely, the more intelligent direction of business operations based on better knowledge of supply and demand conditions, and on the profitableness of business in different branches as indicative of over development, or the contrary, is obviously of such great public concern that the government should itself collect, compile and promptly publish, as a general clearing house, the fundamental and essential facts.

It is impossible to estimate in terms of dollars the value to American business of a comprehensive, complete and accurate system of statistics. Partial, incomplete or inaccurate statistics are of doubtful value; statistics that are available to some and denied to others may be an instrument of oppression. Complete and honest statistics gathered by the government under compulsion as to completeness and accuracy and available to all alike would accomplish wonders in aid of free and open competition by enabling business men to conduct their operations on a basis of equality so far as information as to trade conditions is concerned.

It must be remembered that the competition which the antitrust laws would preserve is an enlightened competition. Congress has not imposed on American business the law of the jungle. It is not "war to the knife and the knife to the hilt." Competitors may still be good neighbors. Friendliness and cooperation are not prescribed. The dictum of Adam Smith that business men seldom foregather without scheming against the public good is somewhat out of date. It would surprise and shock the country to learn that the thousands of trade groups that meet annually are actuated by sinister motives. The opportunities for legitimate cooperation are too great and valuable for the more reputable groups to waste the time or to incur the risks of unlawful connivance.

The character and degree of cooperation compatible with American policy and laws must vary according to the necessities of the interests involved. Statutes now on the books purport to afford to labor a wider latitude in the matter of organization and cooperation than is permitted to industry. Some what similar concessions have been made in favor of agriculture; and all who view the plight of the farmers must regret that greater progress has not been made in the cooperative marketing of farm products. The extent to which cooperation may be pursued is best defined by a consideration of the limitations which the law imposes. In industry, at least, it may not be employed to the extent that it acts as coercive force on others; it may not be employed to the extent that it deprives any one of the exercise of full discretion in the conduct of his business; and, above all, it may not be resorted to as a means of blunting the edge of competition.