The George Washington University Presents

"Confidential- from Washington"

THE GEORGE WASHINGTON VICTORY COUNCIL
THE GEORGE WASHINGTON UNIVERSITY
WASHINGTON, D. C.

ROBERT E. FREER, CHAIRMAN
LESTER A. SMITH, SECRETARY

lo. 22 DECEMBER, 1944

TO ROBERT E. FREER, A.B., 1931

This bulletin is dedicated to Robert E. Freer, Chairman of the Federal Trade Commission and Trustee of the University, hose energetic leadership has been invaluable in the development of the George Washington Victory Council.

CLOYD H. MARVIN, *President,*
The George Washington University.

THE POST-WAR SERIES VII

Penicillin

by

FREDERICK J. CULLEN, Ph.G., M.D.
Professorial Lecturer on Drug Manufacture, School of Pharmacy,
The George Washington University;
Executive Vice-President and Medical Director of
The Proprietary Association of America

Penicillin has been referred to as "the miracle drug". ich a designation would lead the average person to believe at more all-inclusive benefits may be derived from the drug an can be expected, since there are many conditions in hich penicillin is of no value—for example, in the treatent of the common cold and influenza. It is an excellent dition to the physician's armamentarium, but I doubt the visability of referring to it as a "miracle drug".

Penicillin is derived from a mold growth that belongs to same group found in Roquefort cheese. This type of ld is often seen as a thin, velvety, green film on decaying rus fruit. It also belongs to a group of mold commonly nd in air and soil. The organism is of a strain of molds the genus *"Penicillium"*, and the word "penicillin" was en from the Latin, *"Penicillum"*, meaning "brush" or oom-like", since under the microscope the spore-bearing anches of this mold resemble a broom.

THE DISCOVERY

Penicillin was discovered in 1929 by Professor Alexander Fleming while making routine examinations of staphylococcus cultures in the laboratory of St. Mary's Hospital in London. He found that on certain of the agar plates upon which the cultures were being grown there were very definite germ-free spots around a dark greenish center. Upon examination it was found that this greenish center was a mold of the penicillin group.

Since penicillin molds are frequently found in the air, they are, therefore, found in the laboratory. Professor Fleming worked with this mold and found that it had a definite value in preventing the growth of certain types of germs. He stated that from his studies he believed penicillin would be effective as a local application in the treatment of wounds, preventing infection, but no further studies were made, and Dr. Fleming's suggestion lay dormant for ten years.

Dr. Dubos of the Rockefeller Institute for Medical Research, during his studies of the virulence of various types of pneumococcus, and in his search for a product that would be of value in destroying these organisms, decided to study substances that may be found in soil. He recalled that when organic matter was added to soil it eventually underwent decomposition, caused by the action of the microörganisms. He then isolated two substances from the soil, gramicidin and tyrocidine, and found them effective in killing certain types of germs, but at the same time they were found to be quite toxic to the experimental animals used in making the tests. Dr. Dubos' studies resulted in the revival of the studies of penicillin at Oxford University in England.

In 1940 preliminary results of studies there were published, and further reports were made in 1941, at which time it was stated that "the bacteriostatic power of penicillin against streptococci and staphylococci is as great as, or greater than, that of the most powerful antiseptics known . . . ".

The English reports stimulated studies in the United States, and the American investigators arrived at the same conclusion concerning the value of penicillin as was reported by the Oxford workers.

MODE OF ACTION

The Oxford workers stated, in substance, that the bactericidal action of penicillin—that is, its ability to *prevent* the growth of germs—was greater than that of the most powerful known antiseptic. Most persons are of the opinion that a product must kill germs to be considered an antiseptic, but Penicillin is not an antiseptic in the sense that it has direct and immediate germ-killing action. Instead, it acts to prevent the multiplication of germs, and its action is not retarded or affected, as is the action of many bacteriostatic agents, by the number of germs present at the time the substance is administered, nor is its action affected by the presence of pus.

When an invading germ enters the body, Nature's protective mechanism immediately attempts to isolate and destroy the invader, and the white cells of the blood, known as leukocytes, are the agents responsible for this. Upon invasion the body mechanism immediately increases the number of white cells that are available for the job. Some medicines used in the treatment of disease tend to retard the action or the production of leukocytes. This is not so with penicillin. Penicillin prevents the growth of organisms and the leukocytes carry on with their job of destroying the invading organisms, and hence relief is afforded by the use of the drug.

MODE OF ABSORPTION AND EXCRETION

After intravenous injection about 90 per cent of the penicillin disappears from the blood in thirty minutes. The remaining 10 per cent takes about three or four hours to pass into the tissues. Within about one hour after injection, fully 60 per cent of the penicillin administered is excreted from the body through the kidneys. There is a loss of a certain percentage of penicillin during its passage through the body but there is no ready explanation as to what becomes of the substance. High temperature will destroy penicillin outside the body. However, it is not believed that body temperature is responsible for the destruction or loss of penicillin in the body.

PRODUCTION OF PENICILLIN

It was originally supposed that penicillin could be produced only from a mold known as *Penicillium notatum*. However, it is now reported that manufacturers are produc ing the substance from *Penicillium chrysogenum*, and it i believed that the latter type of mold produces a higher per centage of the penicillin in a shorter growing-time.

Penicillin develops in the liquid upon which the mold grown. In some instances these molds are grown in bottles and in others in large tanks. The medium upon which th mold grows consists of a nutrient broth containing milk sugar corn-steeping liquor, and certain mineral salts. The corn steeping liquor is a by-product of the corn-refining industries and, for reasons not fully understood, clearly stimulates th growth of penicillin.

In the early days of the production of penicillin consider able difficulty was encountered because, for some unexplaine reason, a manufacturer using the same mold culture as an other could produce penicillin where the other would fail or one company might produce a high percentage of mol growth where others would produce only relatively unimpor tant quantities. But through careful studies these handicap are being overcome.

As I have stated, penicillin is contained in the liquid upo which the molds are grown. It is a rather lengthy and in volved process to remove the pure Penicillin from the liquid and no purpose would be served to discuss it here.

In the early days of penicillin studied by Dr. Fleming and his co-workers contained certain contaminating materia so that high temperature and other discomforts might arise i the patient after using the product. The cause was the con taminant and not the penicillin itself, but by improve methods of preparation the manufacturers have been able t purify the product so that it is, for all practical purpose free from any contaminating substances.

Penicillin is combined with certain basic salts so as t produce a *Penicillium* salt of sodium, calcium, or ammonium The sodium salt of *Penicillium* is perhaps the most frequentl used.

DOSAGE AND METHOD OF USE

To arrive at a satisfactory dosage it was necessary to de termine some standard unit. One unit of the substance "that amount of Penicillin which when dissolved in 50 ml. o meat extract broth just inhibits completely the growth of th test strain of *Staphylococcus aureus*."

A potency standard has been adopted by the Federal Foo and Drug Administration and is kept at the Administration office in Washington. It is a crystalline sodium salt *Penicillium* of a potency of 1650 units per milligram. Th Administration checks monthly a reference standard its crystalline standard and these reference standards a to each manufacturer of Penicillin for his use in checking th potency of the material he is producing.

Probably the most satisfactory method of use is intr venous injection. Next is intramuscular injection. Subcu taneous injection frequently causes considerable pain and irr tation, and is not thoroughly satisfactory from a therapeut standpoint.

Local application of the powdered penicillin is, as a ru irritating to the injured tissue, but a solution can be use satisfactorily. A solution of the substance may be injecte through the chest wall in cases of abscess in the chest cavit In meningitis the solution is injected directly into the spa surrounding the brain.

Administration by mouth is unsatisfactory, since the of the stomach tends to destroy penicillin. The product been administered by a tube leading from the mouth thro

stomach and into the intestine, and the results of this hod of use were satisfactory. It may be that a pill or a ct will soon be made which will pass through the stomach dissolve only upon reaching the intestines, and then the duct can be used satisfactorily by mouth.

Since penicillin disappears from the blood rapidly, it must dministered frequently and in serious cases may be given continuous drip method into a vein.

The minimum daily dosage is usually about 100,000 units.

INDICATIONS FOR USE

The Allied Medical Congress reports: "There never has a therapeutic agent to compare with penicillin in its ulness against a wide variety of diseases, including pneuia, bone infections, syphilis, and a host of other infectious "

Penicillin has been found effective in treating the many ditions that are caused by the staphylococcus germ, as, example, carbuncles, boils, infected wounds, meningitis, empyema (pus infection in the chest cavity); in the y conditions caused by the streptococcus germ, such as litis, puerperal fever (an infection following childbirth), onitis (an infection of the abdominal lining which often ws the rupture of an appendix); meningitus caused by meningococcus; pneumonia, caused by the pneumococcus; in gonorrhea and its various complications. It must be derstood that in all instances where an operation is indi-, penicillin will not replace a necessary surgical procedure.

The failures of penicillin in those instances where its use dicated are perhaps due to the fact that (1) proper sur- treatment is not used in addition to the drug; (2) the ge used is insufficient; (3) the treatment is not continued sufficient length of time; and (4) in rare instances the nsible germ is resistant to penicillin.

It is reported that the use of this drug has resulted in the of a number of cases of gonorrhea in twenty-four hours. ther report shows that cure resulted in 98 per cent of the erly treated cases. It is also reported that in early syphilis of the germs responsible for causing the disease could be d in the open sore, which is the initial stage of the se, sixteen hours after the administration of penicillin ough the blood tests were found to be strongly positive. he fifteenth day the blood test was negative, and after a od of one hundred days there was still no trace of the se in the patient's body.

Penicillin is of no value in the treatment of the various seases caused by a virus, of which colds and influenza are t best examples. It is of no value in typhoid fever, dysen- tuberculosis, malaria, and a number of other conditions.

Penicillin is at the present time being used very extensively oth the Army and Navy. Wounded men are given injec- s of penicillin immediately in order to assist in retarding reventing the growth of infecting organisms in the body. cillin is nontoxic and will do no damage, even though it is needed by the wounded man. In many of the war the- s of operations it has, to a great extent, replaced the sulfa gs, except as the sulfas or a mixture of a sulfa drug and cillin are applied externally.

I have seen a number of reports issued by the Army and y containing information concerning the treatment of alties in their particular branches of the Service, and after a study of these reports I would hesitate to state ifically that certain results were obtained by the use penicillin alone. The medical departments of the armed services are using every weapon at their command to save life and prevent suffering. With the present methods of rapid transportation of the patient from the place of injury to adequate hospital facilities, and largely as a result of surgical treatment, the use of blood plasma, penicillin, and the sulfa drugs, *the death rate in the armed forces has been cut to an unbelievable low.* When more time is available, statistics no doubt will be prepared which will show rather definitely the results that have been obtained from the various types of treatment—for example, by penicillin alone.

A recent report from a civilian hospital states, in part, that they had used penicillin in the treatment of 87 severe infections, including endocarditis, meningitis, and acute osteomyelitis. Of this series of 87 cases, 7 patients died, or 8 per cent. From a careful analysis of the reports of the 7 fatal cases, it appeared that only 2 deaths, or 2.3 per cent, could be ascribed to the actual failure of the penicillin treatment. The report stated further that ten years ago the mortality rate would have been at least 50 per cent.

There is still much work to be done in determining the value of penicillin in the treatment of syphilis and gonorrhea, since up to this time there has not been a sufficient quantity of the material available to carry on satisfactory and conclusive tests.

Thus far the armed forces of the United States and our Allies have been using practically all of the penicillin that has been produced, so that there has been little for use in civilian practice or for experimental work.

The drug has been proved to be very valuable in the treatment of certain germ-caused diseases, but as the military needs decrease, and more of this drug is available for use on the home front, a more thorough study can be made. No doubt we will find that it has many uses to which it has not been applied thus far.

Just recently a number of hospitals throughout the country have been designated as "depot hospitals" and are responsible for handling and distributing penicillin for use in their assigned areas.

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PREVIOUS ISSUES

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ROBERT E. FREER, CHAIRMAN

LESTER A. SMITH, SECRETARY

O. 46 MAY, 1948

TO THE RECIPIENTS OF THE ALUMNI ACHIEVEMENT AWARD

We dedicate this bulletin to the four graduates who received the Alumni Achievement Award from The George Washington University at Commencement, May 26, 1948: Mildred Margaret Coughlin, Principal, Western High School of Baltimore; Donald D'Arcy Shepard, Trustee of the A. W. Mellon Educational and Charitable Trust; William Chester Thom, Chief Engineer, United States Naval Gun Factory; William Cabell Van Vleck, Dean of the Law School, The George Washington University.

CLOYD H. MARVIN, *President*
The George Washington University

Prices—Fixed or Competitive

By

ROBERT E. FREER

Chairman, Federal Trade Commission; Trustee, The George Washington University

Any combination or conspiracy to fix or maintain prices is gal. This is no new or strange theory. Under the ancient mmon law, free markets were protected and obstructions to edom of the market were prohibited. Whether physical or nopolistic in nature, such obstructions were forbidden.

Thus it was a public offense to "forestall" the market by rchasing commodities before they reached the market in der to resell them at higher prices in the free, open and itimate market.

Reflecting this traditonal view, public markets, at which oduce is sold by farmers directly to consumers, frequently r signs prohibiting "price-fixing" and stating that violans will be punished by fines as high as $50.00.

It was a public offense also to "engross", or in modern parace, to "corner", a commodity in the market because this s regarded as an attempt to enhance prices and as a denial equality between buyers and sellers. For similar reasons was regarded as a public offense for a middleman to "reate" or pyramid the cost between producer and consumer, e modern counterpart of which we have in our present -called "grey markets."

The rule was also developed at common law that a seller o entered business to serve the public generally must serve comers at a reasonable price and without discrimination. e Clayton Anti-discrimination Act, which was approved ct. 15, 1914, is a recognition and restoration of that ancient mmon law rule modified somewhat to meet modern conditns. Our other anti-trust statutes[1] are also designed to reach practices which have been recognized for centuries as inimical to the integrity of a free competitive market.

I wish to point out some of the cases of interest which the Federal Trade Commission has acted on in recent years. An order was entered against a group of manufacturers of crepe paper. This required them to cease and desist from employing by agreement a method of pricing which involved dividing the country into three large zones, within each of which customers of the same class paid the same delivered price, irrespective of the different freight costs to customers. The Circuit Court of Appeals sustained the order, saying:

> "One glance at the three-zone map for bulk crepe will show the artificiality of the zone structure and intention to obviate any natural advantage of location from price determination.
>
> * * *
>
> "We think the artificiality and arbitrariness of the zone structure is so apparent it can not withstand the inference of agreement. The Commission evidently could not believe that Wisconsin companies would deprive themselves of the natural benefit of location in the midwest, and proximity to the west, over eastern competitors, were it not agreed that they would have equal chance for the eastern business, where most of the crepe paper manufacturers were located."[2]

This order and the decision of the court were based squarely upon an *agreement* to employ the zone system of selling. The court was impressed by the regional discrimination against the west inherent in the scheme.

In another recent case, the manufacturers of milk and ice cream cans were required to cease and desist from an agreement to employ a *freight equalization system of pricing*. By this method, each producer quoted an f.o.b. price at his factory and calculated delivered prices by adding the rail freight to destination. Where use of his own f.o.b. price, plus freight, amounted to more than the f.o.b. price of a competitor, plus freight to customer from the competitor's plant, the latter formula was used in quoting. In sustaining the order against collusive use of this practice, the Seventh Circuit Court of Appeals said:

> "It is argued, perhaps correctly, that such a freight system had long been employed by industry so that members thereof might deliver their product at the same price. . . . Such being the case, the fact still remains that it was employed by petitioners for the purpose of fixing the delivered price of their product and by such use price competition was eliminated, or at any rate seriously impaired. On the face of the situation, it taxes our credulity to believe, as argued, that petitioners employed this system without any agreement or plan among themselves." [8]

Still another similar proceeding involved what is known as the single basing-point method of pricing, whereby everyone in the industry quoted a price at a single point and added freight to the customer's location. The producers of malt were ordered to cease and desist from continuing this method by agreement, and again the Circuit Court sustained the order, saying:

> "We are of the view that the Commission's findings that a price fixing agreement existed must be accepted. Any other conclusion would do violence to common sense and the realities of the situation. The fact that petitioners utilized a system which enabled them to deliver malt at every point of destination at exactly the same price is a persuasive circumstance in itself." [4]

Another series of cases concern the legality of the so-called single-basing point system under the Clayton Act without reference to conspiracy or agreement.

The producers of corn syrup employed a method of pricing known as "Chicago plus," whereby a producer in Kansas City, for instance, sold to his customers in Kansas City by adding to the prevailing Chicago price the rail freight rate from Chicago to Kansas City. Thus all bulk corn syrup was priced on the fiction that it was produced in and shipped from Chicago. The Supreme Court of the United States upheld the orders in these cases,[5] saying in the Staley case:

> " . . . In none of the markets in which respondents had a freight advantage over their Chicago competitors did respondents reduce their prices below those of their competitors. Instead they met and followed their competitors' prices by prices rendered artificially high, by the inclusion of unearned freight proportioned to the amount by which their competitors' delivered costs exceeded their own.
>
> "We cannot say that a seller acts in good faith when it chooses to adopt such a clearly discriminatory pricing system, at least where it has never attempted to set up a non-discriminatory system, giving to purchasers who have the natural advantage of proximity to its plant the price advantages they are entitled to expect over purchasers at a distance. . . . " [6]

To the extent that these orders may result in the elimination of "phantom freight" and reflection of territorial advantages to buyers located near factories remote from the old Chicago base, important savings to large geographical areas may be expected.

Several areas in the west and south have suffered from discriminations of this type due to pricing of goods on the fiction that they have been produced and shipped from so eastern industrial center.

A situation in the corn syrup industry illustrates the w in which artificial and discriminatory methods of prici adversely affect the community and its industrial develo ment. The largest producer in the industry had a plant Chicago and another in Kansas City. Prices in Kansas Cit even though they involved no actual freight charges, we calculated on the Chicago price, plus freight to Kansas Cit A number of manufacturers of candy were located in a around Kansas City, and corn syrup constituted one of th principal raw materials. As far as price was concerned, made no difference whether they purchased from the plant Kansas City, a plant in St. Louis, a plant in Chicago or a pla in Iowa. In any case, the price was Chicago plus freight. was stated by the Supreme Court, "phantom freight" di ferential in favor of the Chicago candy manufacturers plac them in a more favorable position, and several of the Kan City manufacturers moved their factories to Chicago.

In the corn products industry, shipments from Kansas Ci to Denver or Salt Lake involved 10 cents per hundred poun of unearned or "phantom freight," this being the differen by which the actual shipping charge from Kansas City w lower than the freight rate from Chicago used in computi the Denver price.

These proceedings which have involved the legality methods of pricing have been squarely based on price-fixi conspiracy or upon price discriminations which injure co petition and which cannot be justified by legitimate diff ences in the cost of manufacturing, selling or shipping. new or strange theories of law or economics have determin or affected these proceedings.

From time to time, we hear from those who advocate called "administered prices." Some of these individuals a vocate new legislation which in effect would grant immun from action under the anti-trust laws. This immunity wou be given to industries which get together and draw up a of trade practice rules under the auspices of the Federal Tra Commission. There has been some favorable comment in t trade journals on this legislative proposal.

Business men generally are the staunchest defenders of system of freedom of economic enterprise under which t country has reached its present high standards. Yet for so reason they frequently favor proposals to "manage" that s tem, or the part of it in which they are most immediat concerned, through group action. Thus a group of who salers may become intensely irritated by what they feel to the unfair practice on the part of manufacturers in selli direct to certain retailers, by-passing the wholesaler. T natural urge is to do something about it.

Numerous cases of this sort have occurred in the p where such groups have gotten together to pool their stren to "do something about it" by way of organized pressure manufacturers to cease selling direct to retailers. I have doubt that the men involved in these matters have been fi advocates of free competition and that it would have b impossible for most of them to have built up their busine without resort to real competition. They would be the fi to resent any organized group which tried to enforce r of conduct upon them, yet apparently feel no inconsiste in maintaining a "black-list" of manufacturers with wh they will not deal as the result of some real or fancied wro

The competition of the free market is in many respect ruthless thing. A man may build a costly plant near raw materials but distant from his markets. Discovery of r materials nearer the market may ruin him unless the discove can be persuaded to price his product so that his advantage

lation is equalized. This same thing may occur where any the other factors, including new machinery or processes, arch, or just plain American ingenuity, throw an industry ot of balance for a time, and give some producer advantages nt enjoyed by others. From the standpoint of the business an, the easiest thing to do is reach some understanding ereby the status quo is preserved and the man with the vantage forbears from translating it into lowered prices.

The temptation to soften the effects of competition is ever esent in business—it is perfectly understandable that a man ght resort to agreement with competitors to avoid failure. haps my readers are familiar with individual instances of h coerced or desperation agreements which you consider to justified morally, ethically and legally. However, can we ualize the remarkable industrial growth of this country der any system of private or governmental controls which uld have removed the harsh realities of free and vigorous petition ? Can we visualize the growth and development our present automobile industry if it had been organized d run to keep in business the badly located, badly run or neconomic producers?

There are two alternatives to free and fair competition. is a system of industrial controls by business itself. The her is a similar system in which the responsibility is shared government and to some extent by business. Is there any oup in industry wise enough and unselfish enough to run t industry in the public interest so that it could be removed ely from the operations of the anti-trust laws or other ntrols? Can we substitute the absolute decision and judgnt of a group of producers of such basic materials as lum-, brick, cement or steel for the forces of a free comitive market? Without any reflection on the ability or grity of these producers, there is serious doubt that they ld be entrusted with any such responsibility. In any case, h assignment of responsibility would be followed eventuy by some check upon their actions. Otherwise the public uld suffer when their natural and primary interest in the lfare of their stockholders conflicted with the larger public erest. The government itself is the only check which can used for this purpose. Thus, such a course must lead to ided responsibility for management of industry between dustry and the government such as has been developed the field of public utility regulation.

The two alternatives above refer to the short range proscts. In the long run, managed markets, either by business n themselves or by business men under government superion, must lead ultimately to a disappearance of any lines of marcation between business and government and the delopment of the super state which will tell us all the whats, ens, whys and hows of everything we do.

This country had some experience with substitution for mpetition of government-regulated industry controls dur- the National Recovery Act period. Entry into certain ds was restricted, as were additions to plant facilities. oduction controls were formulated. Nearly every conceive control to alleviate the distress of competition was tinred with in one or other of the codes. Pants pressers, ing station operators, and even manufacturers who refused conform to the rules laid down were hauled before the urts. A seller who deviated from the prices, terms or conions of sale filed with the code authority in order to secure choice piece of business was a "chiseler." What had in ner times been normal individual rights and legitimate siness practices suddenly became illegal.

No one believes that American business men want to rern to such a system of management and controls as a manent, peace-time proposition, in spite of their grumbling the imperfections of the free market in operation.

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RECENT ISSUES

No. 36—January, 1947—Unfinished Business in American Education, by Burnice Herman Jarman

No. 37—March, 1947 — Church and State, by John A. Tillema

No. 38—April, 1947—Our National Policy Regarding Industrial Mergers: A critique, by Robert E. Freer

No. 39—May, 1947—The Atomic Age of Promise, by Cloyd H. Marvin

No. 40—August, 1947—These Are Evidences of an Education, by L. Clark Keating

No. 41—November, 1947—The Labor Management Relations (Taft-Hartley) Act, 1947. A symposium.

No. 42—January, 1948—The Conversion of Coal to Oil and Gas, by Frank A. Howard

No. 43—February, 1948—Psychosurgery, by Walter Freeman and James W. Watts

No. 44—March, 1948—Planning the Nation's Capital, by Ulysses S. Grant, 3rd

No. 45—April, 1948—The American Foreign Service, by H. F. Arthur Schoenfeld and Peyton Kerr.

The sponsors of legislation to supplant the present anti-trust policy by one of self-imposed rules of conduct, deny that they propose a return to anything like the N. R. A. codes. They urge that the proposals would not interfere with the Sherman Act and the Federal Trade Commission and Clayton Acts, and would instead serve as a cooperative means of enforcing the law without the necessity of prosecutions and orders to cease and desist.

If this is really true, why then is it stated to be necessary to suspend the anti-trust laws for those industries which meet and formulate rules? Present procedures of the Federal Trade Commission encourage any industry group to come in and draw a set of trade practice rules to eliminate unfair or deceptive practices which may be present, and to promote ethical and moral standards of conduct above and beyond the minimum standards necessary to "get by." The Commission has always avoided approving any rule which would promote conduct in violation of the anti-trust laws, and the trade practice rules as now drawn do not give anyone immunity from the anti-trust laws. Even the N. R. A. codes purported to give lip-service to the Sherman Act and exemptions from its operations were specific and narrow in scope under N. R. A.

Under any such program as is proposed, trade practice rules would be concerned with the intimate details of industry operation. Anything less would defeat its own purpose. Proponents of such a plan have not thought the matter through to its logical end which can only be complete and thorough government regulation.

Furthermore, is it possible for us to maintain political freedom of action where our economic affairs are managed inside or outside the government? In many countries in Europe economic freedom has been practically eliminated. A man

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may not open a grocery store where he pleases, or, operating a grocery store, may not sell what he pleases. A baker must not make and sell a cookie containing more than a fixed percentage of sugar—a regulation no doubt inspired by the "righteous" ire of confectioners over inroads of bakers into their field. A host of similar "controls" could be cited. A people subject to such minute regulation of their economic life can never be said to be politically free. Our success in developing this nation to its present pinnacle of living standards and personal and intellectual freedom can be attributed to our liberal capitalist system and to our insistence, through the courts and the forum of public opinion, upon the principles of the free market and the right of every man, subject to the basic rules of fair play, to risk his money or his time and effort in making a living.

The sum of the efforts of all of us is the free market, and it can never be controlled or managed successfully by any small group of men for more than an instant. Its rewards for success are munificent and its penalties for failure are harsh, but it is truly representative of all of us. The retail druggist in Kalamazoo, the wholesale grocer in Keokuk, the steel fabricator in Toledo—all of them make up the market, and it is by the collective judgment and experience of all of them that business moves up and down and ebbs and flows. Ten, a hundred, a thousand businessmen may be wrong about a decision at any one time, and many may fail as a result, but the cumulative effect on the market may be very slight. On the other hand, consider the effect of such an error by a government official or a group of businessmen with the power of management of the market.

Business executives when urged to join in a movement to repeal the anti-trust laws, to support a program of self-regulation for industry, or to foster managed markets, should stop and consider whether the immediate advantages outweigh the prospective paternalism of a controlled economy wherein government officials may have the responsibility for every important economic decision. The American economic machine is the most unbelievably complicated organization that the world has ever seen. Its continued functioning depends upon the automatically interrelated operation of hundreds of thousands of working parts, any of which can affect its efficiency. Even the relatively simple proposition of setting ceiling prices du ing the wartime emergency required an organization of tho sands upon thousands of employees which could function ve imperfectly since every action in setting a price at one poi necessarily raised a host of other problems and complicatio at other points. During the N. R. A. regime and during t war we had some experience with the cooperative controls the markets. We have been able to observe the results such controls in other countries. While some measures control are doubtless necessary in periods of emergency, the is nothing to make them attractive or recommend them a steady diet.

The difficulty with controls is that no one has yet devis a system whereby the other fellow can be controlled to a one hundred per cent of the time in our benefit and wh we ourselves can retain freedom of action.

The irritations, the discomforts, and the imperfection which are so obvious in the free competitive enterprise syste should not blind us to the fact that it is one foundation sto upon which is built our American way of life.

Above and beyond passively resisting attempts to enlist h in movements to vitiate the anti-trust laws, every citiz should work actively to preserve the American way of l and the free competitive system upon which it rests. O citizens who are engaged directly and actively in busin have even more of a direct stake than that of citizenshi since the companies that they represent are the direct bene ciaries of the freedom of that system. In the last analys the effectiveness of the enforcement of the anti-trust la or that of any other set of laws in our democracy, must d pend upon willingness to accept them as guiding princip in daily actions.

(From a speech delivered before the Purchasing Agen Association of Denver, November 13, 1947.)

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[1] cf. Sec. 4 F. T. C. Act, 52 Stat. 111, for definition of anti-trust a

[2] *Fort Howard Paper Co., et al.* v. *F. T. C.*, 156 Fed. (2d) 899.

[3] *Milk and Ice Cream Can Institute, et al.* v. *F. T. C.*, 152 Fed. (2d) 4

[4] *U. S. Maltsters Ass'n, et al.*, v. *F. T. C.*, 152 Fed. (2) 161.

[5] *Corn Products Refining Co., et al.* v. *F. T. C.*, and *F. T. C.* v. *A. Staley Mfg. Co, et al.*, 324 U. S. 726, 746.

[6] 324 U. S. 746, at p. 757.