The Economic Club of New York

89th Meeting

"Is Big Business a Menace?"

April 30, 1929

Hotel Astor
New York City

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MR. ELY: In the unavoidable absence of Governor Miller, it is our pleasure to have as Presiding Officer, Mr. Francis H. Sisson, of the Executive Committee. (Applause)

Introduction

Mr. Francis H. Sisson:

Gentlemen, the first business before us this evening is the election of officers for the ensuring year, this being the annual meeting of the Club, and I will call upon a selected member of the Nominating Committee – I think Mr. Capshaw is here with us – to present their report.

MR. CORAN CAPSHAW: Mr. Sisson, Members of the Economic Club: After careful deliberation your Committee respectfully nominates for your consideration the following candidates for the offices of the Economic Club of New York to be filled at the election this evening:

For a term of one year, from October 1, 1929 to September 30, 1930:
President: Nathan L. Miller
Vice Presidents: James G. Harbord
R. O. Leffingwell

For a term of three years, from October 1, 1929 to September 30, 1932:
Executive Committee: Louis Marshall
John J. Raskob
Charles E. Mitchell
Henry L. Stoddard
Owen D. Young

Respectfully submitted,
Sam A. Lewisohn, Chairman
Coran Capshaw
John Kirkland Clark
Owen B. Huntsman
John A. Poynton,
Nominating Committee.

MR. SISSON: Do I hear a motion from the floor?

MR. SMITH: I move the adoption of the report of the Nominating Committee for the election of the officers and instructing the Secretary to cast the ballot of the Club in favor of the names submitted.

MR. SISSON: It is moved and seconded that the report of the Nominating Committee be adopted and that the Secretary be instructed to cast one ballot in favor of the names of the officers submitted by the Nominating Committee. All those in favor say "Aye"; all those contrary, "No." The election is so ordered. This may seem to you a little rapid in a democratic organization but it is a great time saver and that after all is the major consideration.

We have the privilege this evening, before proceeding to the regular discussion, of presenting to you two of our distinguished citizens whom I know you will be glad to greet. The first one is Major George Haven Putnam, the guest of honor. He has been a member of this Club ever since it has been organized. His distinction in the field of letters and his interest in New York City, and his distinguished public service need no encomiums from me and I know you will join with me in a tribute to him who bears his years so gratefully and honorably in this city of ours (applause).

Guest of Honor

Major George Haven Putnam

The writer of the Hebrew Book of Proverbs tell us that "Where there is no vision the people perish."

There has come to humanity in this twentieth century a vision of a world at peace; a Family of Nations, each member of which shall recognize that the prosperity of each works for the advantage of all, and that misery or trouble coming upon one brings, of necessity, some share of that trouble upon all its neighbors. This vision of the twentieth century has already taken shape for practical service in the organization of the League of Nations.

The League stands for the determination of the peoples of the world to work together in harmonious relations; the League and its associated organization; the World's Court, express the decision of the men of the twentieth century that issues between states shall be adjusted, as today issues between individuals are adjusted, not by war, but by law. There is, of course, no reason why a small state like Denmark, or Belgium, because its neighbors have bigger armies or navies, shall be obliged to accept the big neighbor's decision as to an issue, or in case of refusal to accept or endure spoliation, than why a small individual in any one of our own communities should be deprived of the protection of the law.

Thousands of Americans have today a feeling of humiliation at the backwardness of the United States in accepting the inspiration of this vision of the twentieth century. The American Republic, the greatest and the richest of the world's nations, is today the only civilized state that is outside of the family of the League. It is the only civilized state that has thus far declined to accept membership in the World's Court. It stands, in company with Dahomey and Afghanistan, outside of the group of civilized states.

Our great American jurist, Elihu Root has, in his 85th year, aroused himself from a sick bed, has made the fatiguing journey to Europe and has accepted the difficult task of adjusting American contentions with the representative jurists of Europe for the purpose of bringing our Republic into membership in the World's Court. He now has on his hands the more difficult task of convincing the United States Senate, or at least, two-third of the members of the Senate, that the time has come for America to join hands with England in leadership in the World's Court. It is for the Senators, and for the citizens back of the United States Senate, now to decide whether in this great issue of civilization, the United States is to follow the local, back district, petty policy of Hiran Johnson of California, or Borah of Idaho, and Reed of Missouri, or whether we shall now be prepared to be guided by the leadership of that patriotic jurist Elihu Root, and to take our place where we belong, in the World's Court, and later in the League of Nations.

The English-speaking peoples of the world have the power to assure the peace of the world, and in taking their natural place as leaders in the Family of Nations, it will be for these peoples, the founders of representative government, to emphasize the value of representative government for maintaining the rights of individuals. It is for these peoples to emphasize the purpose of the League of Nations, and to secure justice and right-doing among the nations.

The accomplishment of this work is the vision of the twentieth century. In this way, and in this way only, can the peace of the world be secured, and can there come to humanity a realization of the meaning of the peace of God (Applause)

MR. SISSON: Gentlemen, we have one other guest with us tonight whom I know you will be glad to have presented to you in the person of President Arthur E. Morgan, of Antioch College. One of the most interesting experiments in education is being presented there by President Morgan and it is a pleasure to be able to introduce him to you from the particular viewpoint of economics or social progress or any other practical business success or any other viewpoint that you care to approach it from, he has something to offer. President Morgan.

Arthur E. Morgan

President, Antioch College

I wish that I might add to what Mr. Putnam has said to you. It is almost closer to my heart than my own job at Antioch. However, I will not lose my chance with such an audience as this.

In the development of any of our institutions our tendency is first to grow by accident, by tradition, and by haphazard methods and without structure and organization and proportion.

Then as we begin to mature we begin to observe whether the various elements of our undertakings, whether they be economic or social or otherwise, have a fair proportion. We begin to observe whether we are putting all of our energy into some field and leaving other fields untouched or undeveloped or under-nourished.

We have to do that in economics. An economic undertaking that is not budgeted has a very poor prospect of success. If all of its energy is put into sales and none of its energy put into production, or if all of its energy is put into production and not a bit put into research, it soon finds itself in difficulties, and yet in the field of higher education we have tended to put all our interest in the directions that happen to come through the accidental and traditional development of our institutions. There is a tendency all over America to be awake and to correct that situation but it has yet far to go. We have technical institutions in this country, training businessmen or engineers in which young people go directly from our secondary schools and in the course of four years are prepared for practical effective living as though they were the one interest of live.

There is no time in many of those courses for interest in economics, in history, in literature, in the amenities of life, and the whole energy and drive is given to technical preparation.

Sometime in the same institution we will find the arts and liberal college in which young men and young women put in four years in becoming qualified for a liberal thinking and liberal interests, but without a suggestion that along with an appreciation of life there could be a practical preparation in some way to give effectiveness to living.

We believe at Antioch that it is not necessary to have such a great division of interest, to train one person as a technician or as a specialist, and to train another person with liberal interests and without any practical preparation for his living. We believe that all of the elements of life that go into a normal person's living, all of the responsibilities, and the opportunities that he will meet can be prepared for with a sense of proportion just as a sense of proportion is exercised in working out an economic program.

We believe also that one cannot get ready for effective living if he takes even those two elements, even a technical or professional preparation in the schools and a liberal training in a liberal institution.

We believe that there still are large factors of personal development left out that must be brought in if we are to have effective living.

We have tried to work out a program to give expression to the philosophy; at Antioch you will find young people giving about half their time to a general liberal education regardless of whether they are to be businessmen or engineers or what not. Half the time is getting ready to live as human beings, but along with that, in the life of everyone of our students, there is coming in the preparation of his own field of special interest. Then we are bringing in another factor.

We were talking around the table as to what is the difference between wisdom and knowledge. I have listened then but I will have my say now. I say that one of the chief differences between knowledge and wisdom is that knowledge is what one gets by a theoretical consideration of matters and wisdom is what comes when that theoretical consideration is modified and tempered and enlightened by experience. Wisdom does not come without experience.

I believe that we are making a mistake in our educational institutions to think that we can have four years of acquiring knowledge wisely and then by and by begin to translate that knowledge into wisdom. I believe the process of translating knowledge into wisdom should be a continuous process going along with the process of education. We are doing that at Antioch.

We have our students giving part of the time to a liberal college training and part of the time to technical or professional training at the college and part of the time to translating this knowledge into wisdom through practical contact with everyday affairs.

Our students spend part of the time at college and part of the time in this translation into experience for five weeks the student is at college, for five weeks that same student is out on a job. We have 300 pairs of these students and they are at 200 or more institutions and industries. We are picking all over America for the outstanding institution, the one that is setting the standard for America, in journalism, in education, in industrial research, in scientific research, in manufacturing, and in commerce, and we are picking the high spots in the present American tradition, and they are putting American people in where they can come in contact with the finest American tradition, and can be tempered in responsibility and can develop self reliance and initiative and can come to live as practical men and women, while at the same time they are developing their intellectual interests and professional training.

We are finding it a very promising program. We find students coming to us from every corner of America. Antioch has a more widespread dist5ribution of students than almost any American college. They are students of the caliber that are ready to not only do a strenuous job scholastically, but are ready to take on outside responsibilities and are ready to turn their knowledge into wisdom by mixing it with practical affairs from year to year.

As they graduate from us they are already well trained in the technique of industrial research, in the technique of business, in the technique of journalism, in the technique of education, and they go out from us not as tenderfoots that have to be reeducated, but as young men and women who are already in practical efficient living. Thank you. (Applause)

MR. SISSON: Gentlemen, we have four a subject tonight one that seems to be peculiarly fitting for discussion by the New York Economic Club: "Is Big Business a Menace?" Right here in the heart of big business that subject is certainly a fitting topic for our consideration. I remember hearing George Jeffrey speaking of the cruise of the marvelous boat of his and he described the day when it was caught in the very vortex of a monsoon, a simoom and a typhoon, and then you can imagine what happened to me.

We have had something of that feeling downtown in the past few years and we have been very glad indeed to turn to those that can enlighten us as to just what it means and what its trend must inevitably be.

New York has not only become the business center of America, but of the world. I remember a story told during the war of an English cockney who enlisted in the Canadian Regiment and went up to be enrolled to take his part in the lines, and he was catechized by the English officer who happened to be from Saskatchewan. He asked the cockney where he was born and the cockney said, "London, sir." The Saskatchewan English officer was not as much impressed as he should have been and he said, "London where? London, British Columbia, or London, Ontario?" The cockney threw back his shoulders and said, "London where, Sir? London of the whole bloody world". We have become New York of the whole world, and what we think of big business or small business will have a dominating effect upon the course of business.

The years that have rolled by since the organization of the first trust in 1832, the Standard Oil Company, less than 50 years ago, have brought a harvest of mergers and consolidations of all sorts in spite of restrictive legislation to the contrary. And we have seen in this age of big business and of consolidations many of their good results and have outlived many of their evils.

It is contended for them, and I think not without reason, that they have increased production and lowered costs; that they have increased wages and lowered prices; that they have increased dividends and decreased capital needs. And if these be desirable economic results, and I believe we all think they are, then certainly they have warranted a position in the economic world and deserve our consideration.

How far they should have unlimited scope in the pursuit of the almighty dollar is always a question for a democracy to decide, but it is certain that the elimination of competition in vast fields of business endeavor is productive of efficiency, of higher earnings and lower costs, and has proven its worth along many lines.

We have seen it not only in industry but in merchandising, and we have seen it even in the banking business, because bankers have been forced to follow the trend of consolidations and mergers in order to meet the capital needs of their customers and that trend apparently is an obvious and clearly marked one.

Within the week I talked with one of the big bankers of this country at a meeting in the south and he is a man who occupies a dominant position both east and west and he ventured the prophecy that within 25 years there would be 12 large banks in the United States and that they would control in one form or another the financial interest of this country. That does not seem entirely unreasonable in view of the fact that there are only five such banks in the British Isles and Canada gets along with three.

Perhaps that is the trend in the banking world and perhaps it is also the trend in the world of industry and perhaps the chain stores who are doing 15% of our merchandising are also marking a trend.

We have seen the vast increase in the volume of that business and incorporation profits, but we have also seen a great increase in mercantile failures of one sort or another. Last year marked the peak of mercantile failures, but not in the volume of money involved, which would seem to indicate that while big business is getting richer, little business is getting poorer and more and more of them are crumbling up under the competition that these great organizations are forcing upon them.

It is not the purpose of your Chairman to discuss this subject but to point to some of the pertinent things in the way of discussion for, after all, in order to form a democracy we always have the power of regulation and the power of control which we have exercised sometimes not wisely but always with the thought that society must be protected against itself.

We have already perhaps outlived the major features of the Sherman Act and the efforts of most of the Government officials today are directed to find some way of excusing the Sherman Act and interpreting it broadly rather than to prosecute under it.

Whether that makes a trend is again a subject of discussion. The abuse of power has always carried with it trouble and brought reaction and punishment and perhaps the greatest tragedies of history have come through the abuse of power. Howe then can we as a business nation, following the logical trends of economic law, obey these irresistible forces pushing us on and at the same time protect society against the grasp of predatory business that may exploit them.

We have as one of our speakers this evening Congressman Emanuel Celler, a lawyer of prominence in town, a distinguished businessman in his home city of Brooklyn, and recently the organizer of the Brooklyn National Bank, and it was my privilege, I may say, to have attended the dedicatory dinner of the Brooklyn National Bank, where, to my amazement, I saw 1500 representative people gathered to do honor to Congressman Celler and Mr. Redfield, and their associates in the launching of what they frankly and fearlessly declared to be an independent bank, and I feel sure that Congressman Celler will bring us some message about what his ideas are on independence and finance (Applause)

First Speaker

Congressman Emanuel Celler

Member of the House of Representatives

Organizer of the Brooklyn National Bank

Mr. Chairman, ladies and gentlemen: Indeed it must take some courage and temerity for any member of the House or the Senate to appear before any public audience, particularly if we can believe all the harsh things that are said about members of either House, and particularly since we are usually the butts of jokes and since we are the subject of King Lardner stories and articles by Will Rogers (laughter)

I remember when I first went down to Washington some years ago I asked a little girl, I said, "Why is it down in Washington they letter the streets, A Street, B Street, and so on down the alphabet?" She said, "Don't you know?" I said, "No." She said, "That is the only way we can teach these Congressmen the alphabet." (Laughter)

We in the lower House probably do not suffer as much as those in the upper House. I remember hearing a tale that emanated from the United States District Courts for the Southern District of New York, where Judge Bondy was presiding in the Naturalization part, and Hans Schmidt was up for naturalization, and the Judge leaned over and said, "Hans, who makes the laws?" and

Hans said, "Well Judge, I think it is the Congress." "That is right" said the Judge. "How many houses are there in the Congress?" and Hans Schmidt did not know, and the Judge seeking to help him, said, "You know, there is a Senate". "Oh, yes, I have heard of the Senate". "And what is the lower house?" "Well, Judge, is there anything lower than the Senate?" (Laughter)

My contribution to the subject tonight under discussion will be a consideration of chain stores with your kind permission.

I shall confine myself to that phase of "big business" embodied in the chain store, and shall propound and try to answer the question, "Is the chain store a menace?" I cannot say it is a menace, nor can I say it is a blessing; it is both a boon and an evil. It is, we must admit a firmly fixed and generally accepted method of retail distribution. It must be economically sound; otherwise the idea could never have spread so fast and so extensively. It is universally recognized in the United States and is fast taking root in Canada, England and Europe. Manufacturers have been compelled to recognize chain stores and to cater to them. Financiers are only too anxious to resort to chain stores as a basis for their issues of securities, while the public is buying more and more of its necessities, luxuries and services from them. In short, the consumer seems well satisfied with the great growth of chains. No matter how one may be inclined to deprecate the chain store, one must face the truth. Facts are more important than opinions. The chain store is here to stay. Despite anti-chain legislation, chain stores abound everywhere.

Nor has the chain store movement spent itself. Despite its rapid growth it has not reached by any means the flood-tide of its development. Chain stores have a brilliant future because the greatest opportunity for future retailing rests with them, and not wit the independent merchant, department stores or mail order houses.

Chains have completely revolutionized retail distribution. They are the natural result of the machinery age with its mass production and mass sales. Just as mass production was made necessary by ever-rising manufacturing, machinery and labor costs, so mass selling by chains seems necessary to bring down ever-increasing retailing costs. The economic tendency is to bring the consumer ever nearer to the producer. This the chain store does is the nth degree. The chain follows this tendency while the independent retailer and jobber works against it. That is why "big business" as represented by the chain is gradually dethroning the independent merchant and middleman.

The chain store idea started in staple quick-selling lines, for example, the Great Atlantic & Pacific Tea Company, with groceries; the United Cigar Stores Company with tobacco, and F. W. Woolworth & Company with notions. The idea, however, quickly spread to shoes, sporting goods, restaurants, hats, laundries, furniture, automobile accessories, tailoring, loan offices, florists; now valet services, banking, beauty parlors have been oriented into chains. No lines seem safe from chain store attack. Even newspapers, magazines and trade papers are not immune.

At the present time the independent retailers do about 60% of the country's total retail business. That percentage will in the coming decade diminish rapidly, like snow in the noon-day sun. The independent retailer cannot longer view with complacency the growth of chains; the tide of chains is rising around him. He must sink or swim, depending upon his seizure of the benefits of mass selling. He must bestir himself and shake off old and hackneyed methods. He must render extraordinary individual services, sharpen his wits, and be on the job every minute. He has the one great advantage which is lacking in the chain, that is, his personal contact with his customers. Dealing with him is not a dealing with absentee owners. Furthermore, in lines where individuality and artistry are involved he need not fear the chain. Only the future can tell whether the efficient independent merchant will survive or perish. He will, however, he greatly benefitted when he can unite with his fellows into cooperative buying organizations and thus buy and sell as cheaply as the chains.

Retail sales for the year 1928 in the United States were between 42 and 43 billions of dollars. I have been unable at this moment to secure figures as to the division of that volume. In 1926, however, department stores did about 16 ½% of the total of all retail business; chain stores did about 12%; mail order houses 4%; and independent retailers about 63%.

Professor Nystrom, Sale Specialist, and professor of marketing at Columbia University, states that in 1928 chain stores made the greatest gain, and that gain was made at the expense of the independent merchant. He believes that chain stores in 1928 did about 16% of the total retail business. Apparently this 16% will steadily increase during the next few years.

Undoubtedly the chain, therefore, is crowding the retailer. Shall we be concerned about his losses? Are we to shed tears at his discomfiture, if not passing? Is the independent retailer worthwhile worrying about? He is faced with well-nigh insurmountable difficulties. Shall we refrain from lending him a helping hand, and thus give aid and comfort to those who crowd him?

I think that the independent merchant is worthy of aid. I hold no brief for the incompetent, for the inefficient, for the shiftless, the lazy independent merchant; the sooner the shroud of oblivion envelops him the better. I speak of the honest, competent, fearless independent merchant. What of his future? He cannot hope to compete upon any degree of equality as a grocery man, e.g. with the Roulston, the Bohack, the Reeves, and the Butler Grocery chains in New York City – no matter how capable, efficient, ambitious, persevering and honest he may be.

We no longer see the corner grocery anywhere in New York City. The wooden Indian signs of the retail tobacconist is gone.

And what of the young man in the community desiring to open a store for the retail sale of meats, groceries or hardware? Go into any one of the new sections of the suburbs of New York, and before even houses are built in goodly numbers the chain stores have already secured footholds. All good locations have been preempted. Such young men dare not rear their head; they dare not aspire to be owners of their shops, the best that they may hope for is to become a store tender, an order taker, or at best a chain store manager.

It is charged against the chains, that it is a system that will make us a nation of clerks and rob American manhood of opportunity. Mr. Hubert T. Parson, President of F. W. Woolworth Company has sought to answer that contention in an article appearing in the Chain Store Age of January, 1928, by saying in part:

“Assuming for the sake of argument that the development of the chain store system might ultimately wipe out the independent retailer entirely, who shall say that that would be an unmixed calamity? What is there about retailing that makes ownership such an important feature? One doesn’t have to own a railroad in order to work out a successful career in the railroad field. You don’t have to own a bank to achieve success in the financial field. By far the greater number of successful men in every line of industry and commerce are but employees of the companies with which they are connected, no matter how exalted may be the position they occupy.”

I have a high regard for Mr. Parson’s ability as an executive and organizer, but must characterize his statement as quite a bit of sophistry. He says, e.g. “You don’t have to own a bank to achieve success in the financial field." I know certain excellent officers of merged banks, who, despite years of striving, now as a result of the merger find themselves up a dark alley, placed in intolerable positions; the future is rather dark for them. Their independence is gone – with it all ambition and will to achieve and succeed. I know bank tellers who have done nothing else for forty years; they cannot even call their souls their own. Of course, you do not have to own a bank to achieve success in the financial field, but you must come mighty near to knowing intimately the owner of that bank to have a position of dignity and power and worthwhileness in any chain bank.

Ownership is indeed an important feature in retailing. Personally, I would rather own a bootblack stand than command a high salary under any man's control. We pride ourselves in our independence in thought and in action. That is the cause of our success at Democracy. What independence has a man in Kansas City or Kalamazoo whose job depends upon the whim and caprice of an executive sitting in a swivel chair in the Woolworth Building in New York? Chain stores mean absentee control. Absentee control is the very antithesis of Democracy. Does it not tend to make men under such control servile, with no will of their own? We had a fine example of the control that owners of great mills and factories exercised over their employees during the last election. Throughout New England and the Middle West, just prior to election, the Saturday pay envelopes exhorted, may, demanded, that the employees vote for a certain Presidential candidate. Doubtless, in every instance, the fear of loss of his job forced the workman to vote as he was bidden. Not much independence in such tactics, not much Americanism in it either. No!

Economic subservience rarely permits political or social independence. If I am dependent upon you for my daily bread, you well-nigh own me. I am just a pawn in your hands. Not much independence in that.

With the continuance of chain store practice all retailing may be finally in the hands of chains, and a goodly portion of the population will then become either serfs or masters.

Jefferson, in visiting France, prior to the Revolution was thoroughly disheartened at the conditions he found there, and said, "In France one is either the hammer or the anvil." Let us hope that chain stores will not aid in the brining about of such conditions.

Mr. Justice Brandeis, before he ascended the bench, in speaking of certain abuses of chain stores like "price-cutting" of which more anon, said:

"The process of exterminating the small, independent retailer, already hard pressed by capitalistic combinations, mail-order houses, existing chain stores, and the large department stores, would be greatly accelerated by such movement. Already the displacement of the small independent businessman by the huge corporation with its myriads of employees, its absentee ownership and its financier control, presents a grave danger to our democracy. The social loss is great, and there is no economic gain."

Judge Brandeis said that while he still was a fighting lawyer in Boston. There is still truth in the observation that the small merchant displacement presents a grave danger to Democracy.

The question recurs – how can we help the efficient retailer? We cannot help him by abusing the chain store. It does no good to whine and squawk about the chain store menace. Nor is there any sense in indulging in sloppy, sentimental pleas about the vanishing, old-fashioned merchant. The cry of predatory interests and octopus-like chain store trusts avail us nothing. The consumer will continue to purchase at the chain store. If the chain store sells cheaper, gives better service, the consumer has a right to go there, despite all pleas. The consumer is hard-boiled, hard-headed. His pocketbook only counts. His heart is there. The chain store is here to stay, and what is more, is here to grow stronger. The retail merchant must recognize the changed order and must accommodate himself to it if he can. The world does not stand still. The hands of the clock move forward. History has shown us great changes where large groups of people have suffered great economic losses, where large groups have been thrown out of their accustomed economic environment. The industrial revolution is a telling example. The great important inventions and discoveries of the industrial revolution – the spinning jenny of Hargreaves in 1766, Arkwright's spinning frame in 1765, Watt's Steam Engine in 1774, the wool-combing machines in 1788, and many others – brought many changes, brought many evils, much suffering, much misery, but much good also. So with the chain system. It will continue to cause much good, much evil. It will do no good to rant and rail at it. To complain is as useless as trying to keep out the Atlantic Ocean with a groan. We must be hopeful that the good will outweigh the evil.

But what to do — that is the rub. How help the independent? We cannot give him the advantages that the chain stores have, with their closely knit organizations, with their thoroughly systematized operation, with their close supervision of detail, their command of the best merchandising talent, their great buying ability, based upon unlimited capital, their study and comprehension of market needs, their choice locations. We can, however, and must give the retailer a chance for his white alley. We must protect him from unlawful practices of his powerful competitors; there are many trade abuses committed by the chains – they must be scotched.

The Federal Trade Commission has evidence before it now, charging certain chains with practices in violation of the Federal Trade Commission Act, and the Sherman Anti-Trust Laws. Such chains, if guilty, should not go unwhipped. I have never feared big business, provided big business is lawfully controlled and regulated. I do inveigh against big business when conducted by chain stores dealing in unfair practices. I know that a certain chain system monopolized the supply of fresh fruit and vegetables and other necessities in some of our large Eastern seaboard cities. I am aware that at various times a certain chain store system monopolized and secured control of New England potatoes and nearly all of the products of the Long Island truck farms. After securing a stranglehold on these supplies, this system fixed prices to suit themselves. No independent merchant, no matter how efficient he may be can live and prosper amid such unhealthy atmosphere.

Is there not some element of danger in the fast merging and absorbing process now going on among food chains?

In 1917 well nigh the entire grocery field in Philadelphia was swallowed up by the formation of the American Stores Company which was a merger of five chains, to wit:

Acme Tea Company	443 stores
Robinson-Crawford	186 stores
The Bell Company	214 stores
Childs	268 stores
Dunlap & Company	122 stores
	1,223 stores

In 1927 the National Tea Company increased by merging all their chains from 800 to 1200 stores.

Yesterday I read in the paper of a new merger in New York and elsewhere called the National Food Products Corporation, with 1242 stores comprising H.C. Bohack Co. Inc., Southern Grocery Stores, David Fender Grocery Company.

Is there no danger that the food supply of a city may get under the control of the operators of a large chain? Suppose chains do sell more cheaply and render better service; once a monopoly has set in and competition is gone, then there is danger that prices may be manipulated at will and vast numbers of people would be at the mercy of the chain. This argument may not "click". It is not, however, without the realm of possibility, if not probability. In this connection the investigation of chain stores now proceeding before the Federal Trade Commission is as welcome as the cool wind in the heat of summer. It is well indeed that the Government keep apprised of the situation. It is well furthermore, for the Government not necessarily to discourage chain stores in their growth, but to promote public opinion in the interests of eliminating abuses and evils.

In this connection I am one of those who believe that it is idle, it is futile, to endeavor to check a sound economic growth, as I believe chain stores to be, by any unsound legislation.

In some 14 different States they have passed or there is pending at the present moment some 16 pieces of anti-chain legislation, all of it quite unsound, all of it palpably unconstitutional. They seek by a progressive license tax or assessment to legislate chain stores out of business. It cannot be done. In several of those States, notably North Carolina, South Carolina, and Maryland, those particular statutes have been declared to be unconstitutional and I am confident that all of those statues will be declared unconstitutional.

In New York and Pennsylvania the legislature has adopted a statute to the effect that every owner

of a drug shop or a pharmacy had to be a licensed pharmacist. As far as corporations were concerned owning drug stores, every member of the corporation has to be a licensed pharmacist. We know, and the Supreme Court very rightfully pointed out, every member of the corporation would mean every stockholder, and the Supreme Court in the recent decision involving the Liggett Drug chain in Philadelphia, very properly held that statute to be unconstitutional.
And the statute, of course, passed by the New York State Legislature likewise fell by the wayside.

It is very interesting however to note that Mr. Justice Brandies and Mr. Justice Holmes entered a dissent to that prevailing opinion in that Court. It may be, and I am sure, that Judge Brandeis feels that this legislation was an attempt to curb chain stores and he still maintains that the great growth of chains has become and is a menace to democracy.

There are other ways by which we can help the independent. We can teach him to cooperate.

I said toward the inception of my remarks that if the independent merchant could cooperate with his fellows, if the butcher could unite with the butcher, if the druggist could unite with the druggist and the grocery man with the grocery man, and by cooperative buying, buy as cheaply as the chain, they then could defend themselves against chain store operation. In that way they can meet the competition of the chains upon better ground, upon better terms.

That movement has taken root in various parts of the country. In numerous cities, Omaha, Chicago, Milwaukee, and other western sections, the various retailers in a given line have united and have indulged in association buying. We have noticed that McKesson & Robbins, a great drug establishment in this city, have sponsored a chain; they have united with a number of other jobbers and I understand that over 50,000 retail druggists who are involved in that great and mighty combination will soon commence to operate. It will be most interesting to watch the development of that chain.

I am informed that in Chicago the Service Stores Grocery Association with 150 retailers and 4 jobbers are doing a considerable amount of business and those who are members of that association feel that they are now able to compete quite successfully with those who are in the chains. If we could encourage the retailer to develop the association idea, unite with his fellows and thus become armed with the elements that will enable him to fight the chain store, we will do well.

I recall once being up at the Kingsbridge Hospital, the Veterans Hospital. There was a great number of demented, poor, benighted veterans, most of them shell-shocked as a result of their harrowing experiences during the war, and I went into a large room there and there was an undersized attendant there. Many of the veterans had weapons, some had hammers, and some had chisels, and they were applying themselves in learning various trades.

I said to this undersized attendant, "Are you not afraid that these demented men may get together and they may in some way organize and attack you? You are unarmed and they have these blunt instruments in their hands." He said, "Never a fear. Crazy men never unite on anything."

I would say to the independent retailers throughout the country that they must indeed be crazy if they do not unite to protect themselves for the future.

There is one other matter or item that I would like to detail to you whereby the retailers again might be benefitted and that benefit must come from Washington. I am not one of those who necessarily believes that the government must interfere at every step and at every turn to help the weaker man. I am not necessarily one who believes in the doctrine of paternalism, but there is something more involved than the mere retailer. There is also involved that which I will narrate to you, the question of the wholesaler and manufacturer and the protection of them, and that is the question of price-cutting.

Price-cutting is the bane of the manufacturers' existence as it is the bane of the retailing independent's existence. There is now pending in the House what is known as the Kelly-Capper Bill, the retail price maintenance bill introduced in the House by Congressman Kelly of Pennsylvania, and Senator Capper has introduced the measure in the Senate. That bill has been pending in the Congress for many, many years.

During the last session the bill was reported out of the Interstate and Foreign Commerce committee. It has been bottled up in that Committee for years. It was resting peacefully in that Committee. For the first time it has reached the desk of the speaker. It may be passed at the next session.

There is a great deal of sentiment for that bill in the House. That bill just provides for this, that the manufacturer of any product of article, any branded trade-marked article, articles that are usually nationally advertised, the bill does not refer to the un-branded or un-trade-marked article, that those articles, when placed on sale by the manufacturer may be coupled with an agreement whereby the manufacturer can say to the vendee, the man to whom he sells the goods, that you shall not sell those goods below a minimum price.

In every country that right is given to the manufacturer to control the retail price of an article if, of course, it is branded like our nationally advertised brands are branded and trade-marked. In England, Germany, France and Spain that right is always open to the manufacturer.

In this country, because of the Federal Trade Commission Act, and because of the Anti-Trust Laws, and there are other acts involving unfair competition, that right is foreclosed to the manufacturer.

What has been the result? You know and I know that oftentimes chain stores and other establishments will adopt what is known as the policy of lost leader. They get these advertised brands and they will advertise them in the press and elsewhere as being sold in their establishment at prices below that at which they can be purchased elsewhere. It is a very pernicious practice to my mind, and it is a practice that is mostly indulged in by chain stores.

The United States Chamber of Commerce, and almost every Chamber of Commerce throughout the United States is against price-cutting, and they all are sponsoring the piece of legislation because they feel that unless this legislation is adopted manufacturers will be at the mercy of the chain stores.

It is interesting to note just how price-cutting works in the chain stores. Let me read you a portion of a speech delivered recently at the Waldorf-Astoria by William J. Baxter, Director of the Chain Store Research Bureau, at a meeting of the National Association of Manufacturers.

"To me there isn't any question as to the advisability of any retail store if it can sell some nationally known product at cost to get the crowd. A consumer will go to a grocery store and she is willing to pay $55 cents for steak, whereas, it might be sold for $52 or $50 cents elsewhere, if she at the same time can purchase Campbell's soups or some other package goods at cost. Scientific retailing means studying the blind articles in the store and selling them at full prices. But what we call open articles, the ones that the consumer can go from store to store and compare, selling them at low prices."

And along that line let me read to you an advertisement which I culled from the press as emanating from one of the chain stores as follows:

"Take Campbell's Soups: 21 kinds known from coast to coast. In leading magazines and newspapers they are advertised at $15 cents a can – and worth it, too. Yet our price is only $12 cents a can – 3 cents lower than the advertised price. So on everything else."

Meaning, of course, that if you can buy the advertised brand like Campbell's Soup in our store under the advertised price, under the well-known price, you therefore can buy everything else in our store under price.

To my mind, my good friends, that is deceptive advertising, but it is the kind of advertising that is being indulged in by a great many chain store systems, and that is the kind of unfair competition that efficient independent merchants are constantly facing to their great detriment. They cannot live under that kind of competition and that is why we have so many failures to my mind in the industrial conducted by independent merchants.

Let me read you a statement of Mr. Justice Holmes in a dissenting opinion of Dr. Miles Medical Company against John B. Parke & Sons, found in 220 U.S., 375:

"I cannot believe that in the long run the public will profit by this Court permitting knaves to out reasonable prices for some ulterior purpose of their own and thus impair, if not destroy, the production and sale of articles which it is assumed to be desirable that the public should get."

Let me read you what John Wanamaker and what Mr. Bloomingdale, of Bloomingdale's Department Store says with reference to price-cutting. John Wanamaker said:

"I want to keep away from the store that tries to catch me with that kind of a fishhook. If they lose on one thing they will put it on something you don't know of. These are things purchasers don't know anything about."

And Mr. Bloomingdale has this to say about it:

"Such price-cutting is an evil – it is an abuse – it is in a class with false advertising. It gives no advantage to the public because the loss is made up on other goods. While some stores submit to the practice because ti is so prevalent, others make it their chief policy and use it to mislead the public into the belief that by cutting the price on a few trademarked articles, the same policy prevails on all other merchandise in the store."

It has been said that the Congress would not dare to pass the Kelly-Capper Bill, would not dare to take the so-called bargains from the public. The Congress and various other legislatures have in a measure taken bargains from the public. We have adopted a law some time ago, many years ago, that there can be no price-cutting on stamps issued by the Federal Government. The New York legislature and other legislatures of other states have taken away from the unscrupulous insurance agent the right to sell insurance at a cut-rate price. We have taken away the right to do any rebating in insurance. Furthermore, many years ago we took away from the ticket-scalpers the right and the privilege to do any cutting on the price of railroad tickets.

I am not afraid to vote for the Kelly-Capper Bill and I assure you, my good friends, once that bill gets on the floor of the House it is going to pass. (Applause)

Up to this time no opportunity was given to the members of the House to pass the Kelly-Capper Bill. It was bottled up in that Committee and there it was sealed. It never saw the light of day. I will vote for that bill (applause). I am going to vote for it because it will help in some measure and arm the retailer in his struggle for existence against chain stores.

It has been said that you probably might prevent the public from getting the advantages of cheaper goods. That is not true. Specifically this bill provides that only where there is open competition, actual or potential, shall there be given the right to manufacturer to make a contract with his vendee, giving him the right to control the retail price of his commodity.

In conclusion let me say this, and so that I might not be misquoted I have taken the trouble to again write a portion of my speech. The chain is economically sound and is here to stay. It is a good not unmixed with an evil. It shuts off initiative especially in our youth. Therefore, every reasonable aid should be given to the retailing independent. Since chains are economically sound you cannot curb them by any unsound laws. Only the abuses should be attacked. Monopoly of food supply should particularly be guarded against and made impossible. Manufacturers should be permitted to maintain resale prices and then price-cutting would mainly disappear. Then the independent could operate upon a fairer basis with the chain. Finally, independents should be urged to cooperate and thus secure the advantages of mass buying and selling. Chains should be permitted to expand naturally and without any undue restraint. (Applause)

MR. SISSON: As our next speaker, I have the privilege of introducing one who approaches this subject from the point of view of the scholar and economist, Professor Myron W. Watkins. He is the author of a textbook on this subject. Some of you may know of it, and all of you may read it with profit. It is called "Mergers and the Law." We shall be glad to hear from Professor Watkins approaching the subject from that point of view. (Applause)

Second Speaker

Myron W. Watkins, Professor

Scholar and Economist

Mr. Chairman, and members of the Club, it is a time-honored, and I assure you a highly prized and jealously guarded, prerogative of the members of my profession, the academic profession, to answer a question with a question. I propose to exercise my prerogative! What, then, is a menace? Now I am not going to be content with a dictionary definition. A dictionary is the last place one should ever think of going to discover the meaning of anything. It may be a real help to correct spelling, but I am almost prepared to name it the greatest device for obfuscation ever invented – if it was invented. For it asks you to believe in substance, that A equals B minus 1, without any explanation, simply upon the basis of authority.

To find the meaning of menace, I shall ask you to draw upon neither your respect for authority nor your imagination, but upon nothing more subtle or remote than domestic experience. In the light of a moment's reflection, I am confident you will agree with me that a menace is an uncontrolled and irresponsible force. But lest some of you may not have had adequate or suitable domestic experience, I am going to cite the experience of Socrates as a good example of how easily one may learn from domestic relations what a menace is, and, incidentally, how to deal with it. "I have noticed," said Socrates, "that people who wish to become good horsemen get a spirited horse, not a tame, docile animal. They think that if they can manage a fiery steed, they will find no difficulty with an ordinary horse. My case is the same. I wanted to be a citizen of the world and mix with all men. So I took Xanthippe. I am quite sure that if I can endure her, I shall have no difficulty in ordinary company."

It need hardly be added that by living under the constant menace of Xanthippe's temper, Socrates discovered not only that a menace is what I have defined it to be, but also that the more intimately you know a menace, the less menacing does it become. And I remind you that that second discovery was what vindicated his theory. Who shall say Socrates was not justly famous for his wisdom?

Is, then, big business an uncontrolled and irresponsible force, like chain-lightning, or the Napoleonic scepter, or Xanthippe's temper? Once more I must beg your indulgence to answer the question with another question. What sort of uncontrolled and irresponsible force? We have just seen that a menace thus conceived may threaten the safety of physical property and human lives, like lightning, or the maintenance of political rights and the integrity of states, like Napoleonic imperialism, or the preservation of self-respect and personal freedom, like Xanthippe's temper. The list might be multiplied. It suffices here to point out that it is an indispensable prerequisite to an intelligent answering of the question of whether big business is a menace to learn whether we mean a political menace, an economic menace, a neurological menace, an ethical menace, or some other sort of a menace. Without further ado, I accept the usual and familiar connotation of the word when used in this conjunction, namely, an economic menace.

Does big business represent an uncontrolled and irresponsible economic force? Having trimmed the issue to these proportions, let me say at once that we can now answer with considerable certainty. There is available a full quarter century of actual experience since the issue first came into prominence. We have the advantage that Vesalius had over his predecessors: a body of fact to probe. But in this case, at least, the deductions we make from this inductive material – I use the terms advisedly – are more in the nature of working hypotheses than established laws.

The multiplicity of factors bearing upon economic developments in every sphere make positive proof of economic conclusions seldom possible. But the most scientific analysis of the records of big business we can make indicates quite clearly that the dire results apprehended by some during the pre-war epidemic of trustophobia have not been suffered. On the contrary, big business has won for itself in recent years a recognized and secure place in the American economy.

Without disclosing prematurely the exact results of an extensive survey now nearing completion, or wearying you with columns of figures, we may state in general terms the outcome of some of the more significant branches of the investigation. Thus, in the first place, the prices of products produced by mergers, or by industries in which mergers operate effectively, have increased over the past quarter century slightly less than half the amount which other manufactured products have increased.

That survey was based upon the assembly of price series of annual average prices from the period 1900 to 1927. It included all of the price series composing the Bureau of Labor Statistics wholesale price index that related to manufactured products for which the items could be obtained for the entire period. It includes, and I call your attention to this fact specifically, agricultural products, mining products, and it relates to nothing but manufactured products and it included all of those series that were available.

Moreover, in order to test the validity of the comparison, the items that relate to producers' goods were separated from those that relate to consumers' goods and we found that that did not greatly affect the trend of the composite series.

That is a rather startling outcome, I think, to that phase of the investigation. How are we going to explain that singular tendency of the products of industries in which mergers have been constituted to rise less over the long period than the products of other manufacturing industries in substantially similar conditions?

In the main, it seems not unlikely that this surprising outcome may be traceable to the more generous and persistent support of industrial research by mergers. The research expenditures by big business, according to this survey, are almost five times greater per $1,000 of gross sales than are those by manufacturing industries generally.

In other words, for the industries in which big business has become a dominant factor in the situation, the research expenditures approximate about 1% of gross sales annually. In some cases, the expenditures fall below that and in some they greatly exceed that. In other manufacturing industries in which there has been no such consolidation tendency, the research expenditures average about one-fifth of 1% of gross sales annually.

There are many reasons for this greater attention to research by big business. One of the more important is that big business gets the major portion of the benefits from any discoveries or advances in technique made under its direction and encouragement; while, in spite of patent laws, smaller firms stand to sacrifice a considerable fraction of the advantage from any new methods or products developed. Research is a slow and cumulative process. You cannot keep locked up, as in a hermetically sealed compartment, the successive steps, often spread over years of patient effort, which lead finally to a brilliant consummation in some epochal invention or some revolutionary process of production.

The earlier steps in advance become well known and it not infrequently happens that the real fruits are garnered by those who have not sown the seeds. But that is not so likely to occur in the case of big business, a general consolidation, controlling a large percentage of the trade operating in the industry.

Another reason for the leadership of big business in industrial research may probably lie in the plainly observable policy of the executives of big business, at least latterly, to take a long-time view of their prospects. They are encouraged in this by the very breadth and range of their business interests. And rather than short-time considerations, early profits, the long run advantage which they seek comes from leadership in technological matters.

These facts alone, without the additional confirmation which comes from an intensive study of production costs and of profits, point convincingly to the conclusion that big business is not, or at least is no longer, a menace to the consumer. The great economic hobgoblin of the last generation is dead, if not yet quite buried. The dreadful bogey of the pre-war viewers-with-alarm has turned out to be only an apparition. Without too solemn obsequies let us lay it away.

But this funeral ceremony over, we have not disposed of our principal question – only of a small part of it. May it not be that big business, while far from jeopardizing the interests of consumers, does, nevertheless, represent a genuine and a grave peril to other interests? Are the interests, the very legitimate and proper interests, for example, of competitors, in any way threatened? On this point I shall do no more, and in any event I think I could do no better, than to recall to your mind some of the larger aspects of the business situation with which you are all familiar as a matter of common knowledge.

First, big business, if we understand by that term the large corporate amalgamations which dominate particular lines of industry or branches of trade, has not eliminated its smaller rivals in any important sphere. Indeed, in most manufacturing industries in the course of the past quarter century the percentage of total output produced by the largest single producer has steadily declined. The growth of new business units and the expansion of the older independent units has gone on and as a rule the rate of growth of the independents has exceeded the rate of growth of the mergers.

In the second place, we should not overlook in this connection the remarkable growth of trade associations in recent years. It is not only that the number of associations has increased until now there is scarcely an industry without an actively functioning trade association or industrial institute. Far more important is the increase in the membership and the vitality of these organizations. From infrequent social gatherings with the convivial tone of college alumni reunions, they have developed into organizations with a serious, not to say sinister, work to do week in and week out on behalf of the collective interests of the trade. Of course, they never agree upon prices, no never, – well, hardly ever! But they do, at least, function to prevent ruinous, cutthroat competition.

It has not often been remarked, though I think it is worthy of note, that the largest firms, or the mergers, in the several lines of industry, practically without exception, have been prominent in trade association work. They have actively sponsored the development of these agencies of goodwill and friendly cooperation. This is a very different attitude from that which characterized the "trusts" a generation ago. Let me quote you, for illustration, the exact words of the president and founder of one of the outstanding representatives of big business. This frank statement of its policy towards competitors was made in a sales convention in 1907, and forms part of the record in a proceeding under the Sherman Act. "The first thing we aim to do," he said, "is to keep down competition. If the opposition knew what is in store for them, they would not waste any more time and money staying in the business. We are receiving overtures to buy out the opposition. We will not buy them out. We do not buy out; we knock out."

Today, such a statement, coming from this company or any other representative of big business, would be inconceivable. It simply is not any longer the way that big business deals with trade rivalry. Instead, they are in the process of buying out instead of knocking out. Another phase of this investigation reveals, for instance, that the number of piecemeal mergers has been steadily increasing, whereas the number of outright, primary consolidations has never since 1899 reached as high a volume as it did in that year.

In 1899 there were 78 primary mergers with a capitalization of $1,686,600,000. In 1908 there were only 68 primary mergers with a total capitalization of $1,555,145,000, which is substantially below the record reached in 1899. Meanwhile from 1908 on there has been a steady growth in acquisitions instead of that knockout policy. Thus, from six in 1908 with a total price consideration of $12,000,000 to twelve in 1912 with a price consideration of $71,000,000 to 164 in 1928 – I am omitting a great many of these details – with a total capitalization of $700,000,000. That shows that there has been a change in that policy that was pursued by the earlier consolidations.

For better or for worse, from fear or from penitence, big business has turned from the campaign of war to the councils of peace. And therewith has come security and opportunity for independent competitors. Beyond this, it is not appropriate for our present purpose to inquire.

We may come then to consider again, in relation to the attitude of big business toward competitors, the record of the Federal Trade Commission. In the ten volumes of decisions of the Federal Trade Commission in the last twelve years, there are very few cases indeed directed against big business, notwithstanding the fact that the principal purpose of the 1914 Anti-Trust Legislation was evidently to prevent oppressive and predatory tactics by big business against these smaller and independent rivals.

A rough estimate has been made that less than 2% of the actual proceedings instituted by the Commission have as their respondents representatives of big business. There again we have proof that the bludgeoning tactics have been abandoned. Actually, big business is far more frequently the victim. They are the complainants rather than the respondents.

We come then, finally, to consider whether there is any serious menace in big business to the interests of investors. Despite the ominous warnings upon this score of Professor Ripley, I can find neither in the actual record nor in incipient tendencies any just ground for alarm. It is true that the capital structure of big business, particularly in the case of some of the public utility mergers and investment trusts, is being pyramided beyond all precedent, and in some instances, I believe, beyond any real need or advantage. It is true, however, that this development is divorcing control from investment to an extent that to a former generation would have been shocking. And let it be admitted that, under the conditions, formerly prevailing, such a transformation would indeed have been mischievous.

But as in respect to the divorces which have latterly been increasing so rapidly in another sphere of human relations, we must ask ourselves whether the separation of control from investment is an unmitigated evil. For my part, without being ready to advocate the abolition of all marital ties between management and capital, I think there may be something to gain from a less rigid subjection of the wife to the husband in this union. The tradition of complete mastery over the household by capital appears to me, I confess, somewhat of an anachronism in modern industry. And still clinging to the metaphor, I venture to suggest, with all due deference to my distinguished fellow-economist from Harvard, that infidelity constitutes an adequate ground for separation, if not for divorce.

Getting down to the facts, is there anyone to contend that the stockholders have been faithful to their obligation in the modern corporation? Have they discharged their responsibility to the industrial enterprises in which they have invested, even to the limited extent of the modest capacity which most of them possess?

On the other hand, is it not plainly observable that business management is year by year becoming more and more fully and consciously a profession? It seems to me that no one can survey the changes which have come over the industrial scene in our times without recognizing as one of the outstanding achievements the growth of not only a sense, but a clear conviction, in management, of its duty to serve first and foremost, the long-run interests of a business enterprise as a whole. This does not mean a diminishing regard, for much less a disregard of, the interests of investors in the management of corporate affairs. But it does mean that, through the growing independence and professionalism of management, the interests of customers and employees are being raised to a new level of consideration.

It would be as fatuous as it would be fanciful to suppose that these other interests, sometimes called "dormant partners," have already won a coordinate rank with capital in the eyes of management. We still cling in legal theory to the conception of a corporation as a fund of capital. But it requires no magic vision to discern in business practice the tentative, groping approach to a new and juster conception of the corporation as a functioning business unit – not a dead fund but a living body, not a barren skeleton but a productive organism.

But what has all this to do with big business, it may be asked. Just this. It was the growth of big business which accelerated the separation of control from ownership, the professionalism of management, and the emergence of the fiduciary conception of managerial responsibilities. Without big business, without great mergers, these things might have come about, but the process would have been much slower than it has been, and probably would not have been even perceptible in our day.

As it is, these changes are already so clearly marked, and their portent is so reassuring, nay promising, that I, for one, refuse to be stampeded into an alarmist attitude towards the current transformation in the financial structure of big business. To put it quite bluntly, I am quite as ready, either as investor or as outsider, to trust to the integrity and perspicacity and good judgment of a small compact group of trained business executives, with a reputation to uphold, a tradition to maintain, and a high reward to win, as I am to trust to the prudence and providence of a scattered army of thrifty savers with a newfound contempt for proxies and a single-minded zeal for self-protection.

Is there, then, finally, no menace in big business? One hesitates to declare flatly. I would simply point out that there we have only discussed the possibility, and, I hope, shown the absence, of one kind of menace – a threat to economic interests. So interpreted, I think we may say quite confidently that big business, per se, is not a serious menace to the prosperity and well-being of any section of the community.

But when one contemplates the effects of big business upon the broader cultural and human interests, one cannot be so certain. My own misgivings are heaviest when I think of the extent to which business has come to command the allegiance, absorb the energies, and capture the imagination of our generation. And let no one be misled. This is the fruit of big business. Little business, local and sectional business, could never have beguiled us away from the devotions and the aspirations which were once, and may yet again be, the glory of a full, rich life. It was the majesty of big business, the spell of its tremendous power, the mystery of its unparalleled achievements, which won us away from old loyalties and plunged us into this vortex of grasping greed and grinding gears which we call modern life.

It was the glamour of big business, more than anything else, which lured the best of this generation from the cultivation of the soil and the cultivation of the arts down to the channels of trade. On the high tide of prosperity we have all been swept out to sea. If it be true that it is thanks to the staunch frame and ample hold of the good ship big business that we are still afloat, it is also true that we are still adrift without chart, compass or sextant. Wither are we going? The only response from the captains of big business is: Going on! Is that enough? (Applause)

MR. SISSON: I am sure we are all very grateful to Professor Watkins for this very informative and inspiring address. He has brought light to this dark subject just as we hoped he would in a most interesting way. I think I may take the time to just answer one question which Professor Watkins has put, in very brief form, to this effect.

As he looks back over history, as I am sure he does, and has looked in connection with the study of this subject, I think he will find that every great period of material expansion in world history, every great period when prosperity and money ideals have been foremost, has been followed by a period of cultural and spiritual and intellectual response which has fully justified the accumulations of wealth which have made it possible.

It was the Medici, the silk merchants of Florence who made the renaissance possible. It was the ship traders of Venice that built that city, and again it was the adventurers and ship traders of England who made the Elizabethan period possible. And on through history.

We always found our Sancho Panzas who were willing to be satisfied with the material things of life and we always found our Don Quixotes. And so I believe, Professor Watkins, that the businessmen of New York and of America, are today where Herbert Spencer foresaw we would be, making peace the increasing interest of life instead of war, and out of that life will come cultural, spiritual progress even as it has in the periods that have preceded us.

Just in personal illustration of that argument and of that theory of American business life, it is my privilege to present to you the next speaker who represents that very ideal of business statesmanship which we hope will be more prevalent, in the person of Mr. Edward A. Filene, president and chairman of the board of William Filene's Sons, Boston, honorary president of the Staple Money Association, philanthropist and social leader in many of the leading activities of this city. And I am glad to introduce Mr. Filene as one of our great merchants and one of our great businessmen who has thought on this subject not only from the viewpoint of the money maker but of the money user, which is more important to most of us. (Applause)

Third Speaker

Edward A. Filene, President and Chairman of the Board

William Filene's Sons

Mr. Chairman, ladies and gentlemen: Is big business a menace? Is a big house a menace? Is a big, tall man a menace? Is a big nation a menace? It depends on each of them, how they are used and what they do.

Personally I believe that big business is the way out to a better living, to a better social order. May I just interpose here a personal note, that you may not think of after I have made so demagogic a statement as that and perhaps some more demagogic statements before I get through, that subconsciously I am influenced by the fact that I am in big business or accused of getting into it myself. I want to say that I have never bought stocks and do not own any stocks. I have never sat on a board as a director of any bank or of any other business except my own.

That is not because I am a crank and want to be the one man in a hundred and twenty million that does not buy stock nowadays, but simply that I found early that there was plenty of legitimate speculation in the retail business; that I could get all of that that I needed, and what is more I found that if I concentrated on retail distribution, that when I picked up a paper and did not put all my time and thought in the stock market reports, the probability would be that I would make more money by applying what I was reading about foreign and local news as to the probabilities and prices in my own business, the kind of times that we are going through and so forth, the probability that I would profit in my own business by concentrating on it was very much greater. And so, right or wrong, I do not believe that any of these subconscious forces are going to dictate what I am going to say to you now.

I think that a study of the real forces of big business, what big business is doing, will force us to agree with the statement I made that big business is the way out to a better living, to a better social order. I said will force us because as we emerge from any pioneering stage, fear comes in with the new things. We fear that big business will dominate autocratically. We forget, as we think of the pioneering excesses, the excesses of big business in the pioneering state, that they were inevitable just as they have been inevitable in every other pioneering stage whether it be education or government, changes in government, or even in a new religion that was being established, and history will bear that out.

Let us look at it and see just what big business is doing. Big business nowadays takes the form largely of mass production, mass distribution, mass financing, and mergers. Let us very briefly but definitely examine each of them. The question naturally comes up: Is mass production a menace? I believe that contrary to being a menace we can satisfy ourselves that it is really as helpful as I have tried to indicate.

Mass production cannot live unless it first produces consumers. There is nothing so silly as to think that producing masses of goods if the masses have not consuming power. The first problem of any successful mass production is the production of consumers and that means paying high wages. High wages fortunately are profitable because mass production depends on a high production per man and if a man is making hundreds of parts or hundreds of articles a day, the difference between high and low wages compared with the profits coming from high wages is negligible.

Furthermore, those wages are made real wages instead of counterfeit wages by the fact that mass production can make its greatest total profit by reducing prices instead of raising them. That is the result of the industrial revolution today. Men of my generation were taught that the way to make money was to reduce wages, and then reduce them again, and to get the biggest profit per unit of production or sale that we could possibly get. That is as out of date as anything you could think of.

Just imagine turning out a million automobiles if every automobile had to sell for $25,000. Just imagine turning out five million pairs of shoes if every pair of shoes retailed at $25. The bankruptcy court would settle that thing pretty quickly.

Mass production has increased wages, is increasing wages, and it is for its selfish interests to increase wages, and at the same time it starts basically with the idea that the consumer makes the price, and that was not true either when I was a boy. When I was a boy, the consumer was told how much he could buy a thing for. Now Mr. Ford laid down the principle, and perhaps I can quote it. Mr. Ford said, "What good does it do me to know how much an automobile costs if that price is more than the millions of consumers that I need can or will pay." And so Mr. Ford did what is now universal practice, again not because mass production has suddenly changed the whole nature of his business, but because it is enlightened selfishness that shows businessmen that they can make more money by substituting facts for opinions.

Mr. Ford therefore fixed the price at which an automobile can be sold in millions and then struggled to find out how to make it at that price profitably. It is good to revive in our minds something that has almost been forgotten. One year Mr. Ford fixed that price at $50 more than the end of the year's profits or business showed it needed to have been fixed at and he returned to each of the buyers of that year a sum that amounted to a great deal over $50,000,000. That proves that proposition, does it not?

The fact is that one hundred thousand or two hundred thousand multi-millionaires do not make a market and do not make prosperity. Prosperity, steady work at decent wages, depends upon the masses of the people getting decent wages. If you could increase the number of millionaires another hundred or two hundred thousand you still could not make a market for Fords and Chevrolets who directly or indirectly keep employed at proper high wages more than five hundred thousand of our citizens.

More than that, mass production is increasing leisure. It is reducing the hours necessary for a man to get a decent living for himself and his family, necessary to buy the necessities for that decent living and enough luxuries to make him willing to work at all. Again, it is not a big generous ethical gesture but simply that big business has found out that if the men are going to consume the big mass production they have to have time to consume it. They have to have time to run those automobiles if they are going to keep a steady market for them.

Again, mass production will bring better education. Again, not out of any ethical or moral reasons, but because of its own enlightened selfishness. Big business, recognizing the great concentration of capital, of machinery, of buildings, knows that by that concentration they are more vulnerable and can sooner go without fire insurance upon their machinery and buildings than to have those great concentrated masses of working men with so little of cultural education that they will be led away by unreasonable and unthinking radicals or communists or all the men who think emotionally instead of thinking facts. Therefore, big business will go into education not to make robots.

It will insist and does insist on technical education, but just as necessary as technical is, big business is going to see that cultural education, that makes the masses of working men see that the lesson of history is that real progress comes through evolution and not through revolution, just as it is imperative that big business will see that their masses of working me will understand that and that no big growing menace to big business will be allowed to grow and grow until it is out of hand.

Something has been said tonight about mass distribution. It has been very well said indeed and mostly it has been very true but mass distribution ought not to be finally judged until we see just what the basic conditions are of distribution today. The average thing doubles in price from production cost to the consumer and I often say that I shall die disgraced in spite of the things that the papers sometimes say about my associates and myself, I shall die disgraced because I have spent my life in distribution and during that long life the spread between production costs and what the consumer pays is bigger than when I started.

I can rationalize that for you as I have for myself but it will not stay rationalized. That is the trouble. It is not fair and it is not just to the public and it is not just to the progress of the world. Distribution adds nothing to the value of a product and to think for a minute that it is fair and simply repairing the faults in this form of distribution, and condemning men who talk the way I am talking to you tonight, calling them socialists and nihilists – you know all these bad words – is out of date and a better scheme has got to come.

Three publishers have been to me lately wanting to make a biography and I told the last one that biographies were mostly the recital of stagecoach victories in an aeroplane age and I was not interested. One of them persisted and I said, "Yes, I am human enough to want a good biography, but it has got to be the biography of an unsuccessful millionaire" and he laughed. I said that is just what I mean.

My associates and I have built up a big business and made lots of money and you laugh when I say that I am unsuccessful, but I leave it to this audience that the spread between production cost and sale at least doubles in price, and I say that that is shameful and the man who cannot show anything better than that is an unsuccessful millionaire and he should not boast of his millions if he got them in that way.

Whether we like it or not, there is going to be a basic change in distribution. I have been accused of being interested in the formation of a big chain. I say that the chain stores are a proper and necessary and important machine. I say finally that we department store people will either make the right kind of chains or else the chain stores will go into department store buildings governing themselves by unbreakable rules that will include all the advantages of the department store just as the citrus fruit growers took themselves from dire poverty into great successes by getting together and governing themselves by proper rules, and so we, the department stores, if we do not get ahead of the chain stores we will go ahead and produce department stores where every department will be a chain itself.

That is my idea of what we department store people should do for the good of ourselves and the community. My chain of department stores is a chain of department stores, every department of which is itself a chain. It has all the advantages of the chains and many of the advantages that the chains have not and never can have. The present aggregations of department stores, foolishly called chains even by bankers, are simply aggregations which are going to have some good experiences and I think they will survive because they will take science to their aid and correct themselves and substitute facts for opinions and correct their weaknesses. But most of the present chains of department stores are aggregations of stores which by the aggregation get some weaknesses that are important but not much strength.

This change is coming in distribution whether I argue it in a way to convince you or not, and for this reason. Mass production has come to stay. There is no question that it has come to stay and I will point out just one reason why it must occur. Successful mass production, I say, turns out so many articles that the overhead expense becomes negligible per unit.

I was talking the other day with a very successful shoemaker who makes only one brand of shoes, a one price shoe. He turns out five million pairs a year or about that. His overhead is less than 4% and by overhead we mean every expense excepting material and labor. The ordinary overhead is from 10 to 15% and often more. I do not have to argue with you, ladies and gentlemen, that that difference is enough to make huge profits on an enormous output and that alone cannot be argued away.

It means that mass production has come to stay. Mass production cannot live if the unpardonable waste of distribution continues. The ultimate consumer is not interested in whether the excessive price is due to production waste or to distribution waste. And so it becomes clear, does it not, that inasmuch as the consumer's dollar is mortgaged, the basis for all this huge business is so – I came near saying precarious, but that is not the right word – so limited that waste cannot be tolerated in distribution or production anymore.

The dollar of the average consumer is mortgaged 25 or 28% for rent and from 40 to 45% at least for food and you have left then about 35% at the most for autos and radios, for recreation and education, and medication and travel and all the rest. And sometimes when I sit down and try to figure it out, it gives me pause.

Mass production is bound to come. Does that mean that the independent must go out? On the contrary. If the independent will cooperate with other independents, he, just as the department store will have advantages over the chain store, will have advantages that the chain unit cannot have and I do not think will have.

And they are doing it, gentlemen. The last figures I saw, and I am talking of groceries, because the figures are a little more available, and I got these notes together rather hurriedly, there were 400 voluntary grocery associations in this country with 55,000 independent grocers making up the membership. The chain groceries number 800 with 60,000 members. It does not look as if the independent grocers had to go out. There is no miracle happening for the chain. What has been happening is that the independent merchant was an individualist and he has been slow to recognize that times have changed, and in this second industrial revolution he has got to change with them. I think that big business and mass production ceases to be a menace to the independent merchant. The same is true as to mass distribution.

I have summarized only a few advantages of big business. I will speak of one or two more in conclusion. Let us talk now about the menace of big business. The first and most important that big business is confronted with is that it will bring about monopoly, higher prices, and autocratic control. As I have said, mass production and distribution cannot take big profits per unit and live. Let me reiterate that because that is the basis of judgment for all we hear about the dangers and menace of big business. If the masses cannot buy the product of mass production and mass distribution, then there is nothing so utterly foolish as to put your money into mass production and mass distribution. It is an axiomatic truth. More than that, the biggest total profits in all forms of mass production lies in the smallest profit per unit, which added together in millions of output means a total profit such as would have been thought unbelievable twenty-five years ago.

Something has been said here about cutting prices on national brands, and if you will forgive me, I would like to say a word without attempting to criticize you but because I think you are big-minded and broad enough to have the other side presented.

Not a national brand that dominated when I went into business is living to my knowledge. What happened to the national brands is that as they got prosperous, and the owners got old, they bought yachts and country places, came in late – am I hitting anybody? – went to Europe and they are quite certain that inasmuch as they created the great profits of the national brand that they know better than anybody else how it ought to be controlled and how it ought to be organized and how the organization should be changed if they allow any change at all.

In the meantime, enterprising younger men are beginning to know how much profit was made in this national brand and beginning to encroach on it. The national brand owner is very apt to fire the man in charge if his profits are largely reduced. He thinks it is bad management and he can get a better man.

But national brands are not sacrosanct as to price. If we have in mind that the average thing doubles in price from production to consumer, if we have in mind waste in production, Mr. Hoover's engineers pointed out that even in the best production there is 49% of preventable waste, then you can see that there is another side to fixing a price, and then by advertising hugely to make people think there are reasons why it should be bought.

It should be added at this stage that in the development of mass production, which is dependent, as I have said, on the elimination of opinions by which we all ran our businesses in the past, and replacing opinions with facts obtained through research, the attempt to get sales by marking down a well-known brand is silly.

I just like to say that Mr. Ford in dealing with that thing, started stores and he had to give them up because they threaten him with losing the sale of his automobiles. He put on sale every kind of national brand that he thought was good and that his experts thought were good. But he laid down this rule that every one of them would be examined and if they could find something that was not nationally branded but was better for the customer and more for the money, then it should be replaced. The new thing should be put on sale.

The big thing about this question of national brands is this, that it will hurt the owners of the national brands more than it will hurt anybody else to pass this legislation because if they do not have this legislation they will be forced to turn out a better value than anybody else in the market turns out, and when they turn out that better value, then anybody who tries to use it for advertising, the national brand owners can advertise that this is the straightest value and they even advertise what it costs, with only a fair profit added to it, and anybody that sells it less has got to overcharge on something else and they will become very unpopular.

Finally, big business is not going to make a mechanical world of us all. I met a labor leader in Europe who said he never became a free man until he got a repetitive job and then he studied evenings and all day long, he thought it over.

In reducing the hours, very many businessmen and economists think that hours will steadily go down to six, and then men will have a chance for an avocation, and what makes a mechanical man is not a six or eight hour mechanical job but overstraining him and overworking him so that his recreations are none at all.

Nor will big business make an ugly world. Ugliness in a large part of it is super-ornamentation and one of the things that mass production will not stand for is super-ornamentation. It is too expensive and too unscientific. What is more, mass production can afford to do what no smaller producers can do, hire the best designers and artists, and the price per unit is negligible. It will make a more beautiful world. The cheap auto is not ugly today. It is beautiful.

Finally, and this is most important, mass production is the greatest aid to world peace, and big business is becoming the greatest aid to world peace, greater than any force now working. Mass production is able to export its goods into the markets of the world and present there the best values that are presented by any nation, and that means that all the nations of the world will be obliged to put their goods, if they are going to get profitable values that they have got to have in order to keep their moneys stable to buy their raw materials, they have got to put mass production on a working basis. And in order to do that they have to borrow money and when they borrow money, it must be outside, and the bankers will tell them that they have got to have the market big enough to warrant these loans.

Through the selfish interest of big business, the big trade barriers of tariff and other things are bound to come down and international cooperation is bound to come and there you will find a real basis, a dependable basis for the growing peace of the world.

I have got to stop because Ely is bossy. (Applause)

MR. SISSON: It is most fitting that as the concluding speaker we should have a corporation lawyer, one of the most distinguished members of the New York Bar who has not only represented American business interests but also has served his country in an advisory capacity in many of its crises and important events. I take great pleasure in introducing Paul D. Cravath of the New York Bar.

Fourth Speaker

Paul D. Cravath, Attorney

New York State Bar Association

Mr. Chairman, ladies and gentlemen, I think I heard Mr. Ely say to Congressman Celler that the place of honor in this discussion was the opening. Then he stooped over and whispered to me that he always saved the big gun for the close. Considering the lateness of the hour, the explosion of this particular gun will be very brief because while Mr. Ely guaranteed that the audience will remain until I was reached, he did not guarantee that they would remain until I had finished. (Laughter)

Is big business a menace? Does anyone doubt it except Mr. Filene who partially doubts it? I, for one, feel very strongly that big business, with the definition I shall give it, is perhaps the most serious menace in its economic and especially its social effects on the American people as to any of the problems of our age.

It is important that we should start out by defining our terms. Professor Watkins has defined the word menace and I shall define my conception of the term big business. By big business, I mean the great enterprises with enormous capital, highly organized for mass production at low costs or mass distribution at small margins of profits which are now conducting so large a part of the manufacturing and wholesale and retail trade of the country and whose proportion of the manufacture and trade in their respective fields is yearly increasing by leaps and bounds.

I apply the term equally to the great organizations which are the result of combination and consolidation and to the gigantic enterprises like those of Mr. Ford and the chain store companies in the development of which combination and the acquisition of competitors played no important part.

There is a popular assumption that the great business enterprises that characterize our age are the result of unnatural combinations engineered by selfish and designing men. There is no popular error that has less foundation in truth. Consolidations and combinations are not the cause of the development of big business. They are symptoms and incidents rather than causes. The development of big business in this country, which bids fair to spread to all over highly organized industrial and commercial nations, is the result of fundamental cause inherent in the American character which have been accumulating momentum for a century and have developed with the greatest rapidity in the age in which we live.

This clearly appears if one traces the economic history of any community during the last one hundred years. Take the little community on Long Island in which I live, a small village primarily devoted to agriculture originally, about thirty miles from New York. One hundred years ago that was a practically self-contained, self-supporting community. There was a woolen mill that wove the wool from the sheep of the neighborhood into the garments of the farmers. There were two or three grist mills that ground the wheat in the neighborhood and produced the flour and meal for local consumption. There was a tannery and lumber mill which converted the open forests, which then covered Long Island in parts, for lumber. There was a wagon factory and I think there was a cotton weaving mill of some kind, and there was even a distillery. The village carpenter was able to build a house without the aid of an architect and a very good and beautiful house. The village blacksmith was an artist in the working of iron and other metals.

That was the condition one hundred years ago. It was a community of self-respecting, independent, high-minded farmers, manufacturers, merchants, and skilled artisans who by that independence of spirit and thrift, and in the sense of civic and social responsibility which are usually found among people who engage as principals in occupations calling for industry, initiative, courage, and skill and who plan to spend their lives in the communities in which they were born.

All these enterprises which I have described before I joined the community thirty years ago have disappeared in the face of the competition of the great business enterprises which have been made possible by the modern improvements in transportation, and the rise of the great West, the coordination and development of the resources of the country, and the efficiency of mass production.

But even then when I joined the community thirty years ago, we still had our local merchants, our grocer, our butcher, our dry goods merchant, and the druggist and several others. But now they are threatened – I will not say ruined – but they are threatened with the devastating competition of the chain stores which threaten to invade every important field of retail activity. Even the village blacksmith is about to retire from business because there are not enough horses to be shod to keep him busy. Instead of sending our horses to the village blacksmith, we send our automobiles to the service stations directed from Detroit or Toledo.

One hundred years ago, the Friends' Meeting House which was filled to overflowing, today supplies the spiritual needs of a mere handful of the faithful. The Dutch Reformed Church, once the pride of the village, would fall into decay were it not for the financial support of the city residents who rarely enter its doors. (Laughter) And this is so in spite of a population of double or triple that when the church was founded.

What has happened? Our community has become an aggregation of relatively prosperous and relatively happy salaried clerks and unskilled laborers without leaders and with little community pride or civic spirit. No one knows that community or any similar community will doubt the correctness of that statement.

What has happened in my little community is simply a sample in miniature of the changes taking place in the social and economic life of the villages and smaller cities throughout the country. Indeed, a corresponding change has taken place in the larger cities.

Only last week I attended a conference of public spirited gentlemen from various parts of the country who met in New York to consider ways and means of providing for the support of the charities and welfare work in cities where the civic leaders had disappeared in the face of the invasion of what we call big business. One very responsible man said, "In my town" – I think he exaggerated but still there was a basis of truth – "In my town there are not enough public spirited men whose interests are rooted in the community to form a community to deal with any public question." I said that was because the independent manufacturers and merchants of a generation ago had been supplanted by salaried managers of branch factories and chain stores and most of whom look for promotions in more important posts in still larger cities and have but a fleeting interest in the city in which they were temporarily sojourning.

Not long ago I had a very interesting talk with a very intelligent woman of middle age about social conditions in a moderate-sized city in the Middle West with which I had been somewhat familiar many years ago. She said social conditions had entirely changed. In her youth, that city enjoyed the steadying influence of a local aristocracy, not based on wealth or birth primarily but based on thrift, intelligence, good behavior, and more frequently religious association. Now, she said, since the advent of big business, the establishment of a number of branch factories, the acquisition of most of the old factories by large combinations, and the opening of branch stores, our town has been invaded by a new set of people who outnumber the old residents. She magnanimously said, “They may be just as good as we are, but they are different. Their standards are different, their habits are different.” I said, “Does the aristocracy of your town admit these newcomers?” She said, “It is not a question of our admitting them. It is a question of their bothering with us.”

The same tendency is manifested in the industries themselves, in a somewhat different form, of course. A generation ago under the methods of production then prevailing, a large proportion of the factories of the country were manned by trained artisans who were proud of their skill and whose minds were kept active by the exercise of their ingenuity in applying their skill. But in this age of machines, the skilled artisan has been replaced in great measure by the unskilled laborer to operate a machine, does the same thing day after day and year after year and becomes almost as unemotional in his daily occupation as the machine he operates. It is the aim of almost every modern manufacturer to reduce to a minimum the amount of skilled labor required in his factory, to replace men workers by women workers and to reduce the numbers of both by the extension of the use of labor-saving machinery.

As a result of the tendencies I have outlined, the great bulk of our population today not engaged in agriculture and excluding the professional classes, may be divided into three categories: First, the rich, who own and direct and enjoy the final profits of big business – with a larger proportion of the very rich than has ever been known in the history of the world; second, the great mass of well paid salaried managers of subdivisions of great enterprises; and finally the still greater mass of relatively well paid clerks and laborers earning high wages but in the main unskilled in the old acceptance of that term. Not only are the very rich and moderately rich a larger proportion of our population than ever before, but the average level of material prosperity and the average scale of living were never so high as now. I agreed on that with Mr. Filene and that is the glorification and praise of big business and mass production.

But the weakness of this glittering social fabric that is resulting from the growth of big business is the smallness of the class of independent manufacturers and merchants and skilled artisans who half a century ago constituted the great middle class which was the social and economic backbone of every community.

To my mind, that change is fraught with great peril to American society and American social institutions. As I observed at the outset there is a popular assumption that big business and its consequences that I very briefly endeavored to describe are the result of combinations and consolidations and the machinations of selfish and wicked men. That is not even remotely true. Combinations are not the primary cause of the growth of big business. Big business is the outcome in the main of the mania of our age, a perfectly legitimate mania for organization, for efficiency and for volume. That is the industrial and economic characteristic of our age in this country.

I presume that in the minds of most people the United States Steel Corporation is looked upon as the glittering example of a great powerful corporation which is the result of the artificial combination of competing concerns. The Supreme Court held the contrary. The real reason for the organization of the United States Steel Corporation is found in an entirely different direction. The real reason is this: Andrew Carnegie with wonderful audacity, with a foresight that was almost uncanny, with infinite courage, created in a period of relative depression in the steel trade an organization for the production of steel that was so strong, so buttressed in the ownership of raw materials, in the control of the necessary transportation both by lake and land, and by steel mills containing the most modern labor-saving devices, that he had his competitors or certain of his competitors at his mercy.

They could not survive the competition of the Carnegie Steel Company when good times came. They preferred to be absorbed rather than to face the risk of ruin in the face of this formidable competition. I have not the slightest doubt that the Carnegie Steel Corporation would have been today the greatest steel-producing organization in the world, probably as great as the United States Steel Corporation itself had Mr. Carnegie remained at the helm and had there been no combinations and absorption of rivals.

Take the Standard Oil Company. The same is, in a great measure, true of it. Nobody can say that Mr. Ford's dominant position in his particular field is the result of combination. No one can say that Mr. Filene's dominant position in his department store in Boston is the result of combination. It is the creation of his genius and his mastery of these modern methods of mass distribution and relatively low profits. The development of the chain stores in the main is not the result of combination. It is the result of the vigorous application of the perfectly sound economic principle.

Examples supporting my thesis might be multiplied indefinitely. I say, ladies and gentlemen, big business has come not as a result of combinations or consolidations or maneuvers of selfish and wicked men but as a result of irresistible social and economic forces. Neither laws nor men are to blame for its coming. The social perils that it has brought in his train are I believe becoming more apparent every day and they are bound to multiply. I believe big business is a real menace and my answer to the question of the evening is so unexpected, and perhaps so unorthodox that I had taken most of my time in explaining my answer.

I will now in closing square myself with my friends and clients in big business (Laughter) by saying that serious as I believe to be the social menace of the growth of big business, the remedy does not lie in legislation or in the courts or in any attempt of government to force men to act against their wills.

Any attempt on the part of our government and our courts to compel American manufacturers and merchants to abandon big business, mass production, low costs, and small profits, whatever be the consequences to the small manufacturer and small merchant, will meet the same fate as the government's attempt in another field to compel human beings to do certain things that they will not do and do not want to do.

You will always find that the forces of life are stronger than the forces of government and the law. Let me say, Mr. Chairman, that we have, most of us, admitted the perils of big business. Most of us assume that big business is bound to continue and to grow and grow stronger and its relative importance in our country will be greater every year, and I suggest that you devote some evening to a discussion of the method of meeting the social dangers from the growth of big business. (Applause)

End of Meeting