

PUBLIC  
RESPONSIBILITY  
IN BUSINESS



# PUBLIC RESPONSIBILITY IN BUSINESS

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A speaker—facing so distinguished an audience as this—must wonder what he can say that will be worthy of the occasion. It seems to me, however, that among the many topics claiming our attention today there is one of particular significance to the membership of an organization such as this.

And so for a few moments I would like to talk to you about public responsibility in business. In approaching the theme, I am well aware that it is only one aspect of the much broader subject of public responsibility in general. For whatever the area in which an individual or organization moves, his responsibility to the common welfare has probably never been so vital as it is at this moment.

Over luncheon tables, in public meetings, in taxicabs, and on street corners—in all the places where the men and women of America compare notes—we hear today much discussion of *democracy, freedom of enterprise, and human liberty.*

In ordinary times these are things which Americans take for granted. We accept them as normal—as things which come to us as by some law of nature. But lately we have seen people in other countries being robbed of their freedom, and whole populations suddenly disappearing behind an iron curtain. Such events have shocked all thoughtful Americans into a realization that liberty and freedom are not rights guaranteed to us forever. They are treasures we can lose—unless we accept the obligations that go with them.

### *Price Tag on Human Liberty*

Clearly, there is a price tag on human liberty. That price is the willingness to assume the responsibilities of being free men.

Payment of this price is a personal matter with each of us. It is not something that we can get others to pay for us. To let others carry the responsibilities of freedom, and the work and worry that accompany them—while we share only in the benefits—may be a very human impulse, but it is likely to be fatal.

The history of our country is the paramount demonstration of what can be achieved when the energies of men are released by means of freedom of opportunity. You are all familiar with the statistics of this achievement. We have more telephones, automobiles, and a great host of other things than any other people in the world—more of the comforts and conveniences that mean health and prosperity and high standards of living. Furthermore, our wealth is not held narrowly by any one class. It is spread more widely than in any other society of the past or present.

Everything that has happened during the past few years and

continues to happen today confirms the fact that our system is more vigorous and productive than any other in the world.

I cite not only the unbelievable performance of this country during World War II, but what has happened since then. We have come out of the war-time period going full blast. Gross national product was 230 billion dollars last year. Domestic demand for goods is enormous, and stores are crowded. Our colleges and universities are hard pressed to accommodate eager applicants.

In 1947 gross private domestic investment rose to an annual rate of 28 billion dollars—almost twice the 1929 rate. Meanwhile, the nation has undertaken huge commitments to help other people in the world.

Democratic Capitalism, far from needing either a physician or an undertaker, is enjoying good appetite and great ambition.

### *Wealth Is Not Found, but Is Made*

It is not uncommon these days to hear that the wealth of our nation is due in large measure to the fact that we fell into the cream pitcher so far as natural resources are concerned. This is *not* the key to our success. There are many parts of the world with equal or greater natural resources. The simple truth is that wealth is not found, but is made. Wealth does not exist until men and women come along and use not only their hands but their heads and their hearts to create it. The accomplishments of our country are due to the great productive power that was developed when a whole nation of men and women was given freedom of opportunity under law.

The American people are proud of past accomplishments. But they do not propose to rest there. In their desire to get on

to new goals, they have thrown a challenge to American business and industry that we cannot ignore.

This is another way of saying that the freedom given to free enterprise in America—like the freedom enjoyed by any individual—has its price tag. That price tag is obligations to society as a whole. Our obligations must be met continuously if we are not to forfeit our freedom.

There is nothing new in the idea that businessmen have responsibilities as well as opportunities. I certainly do not want to convey the impression that I think it *is* something new.

But the desires of people today present us with a new type of responsibility—new, hard problems that American industry must face.

### *Public Expects Business Leadership*

No one can observe the events of the past few years without a realization that the American people have come to expect a very great deal indeed from business. Having achieved a standard of living which is the envy of people everywhere, we look forward to new goals—and I am very much impressed with growing evidence that the American people look to business to take leadership in working toward these goals.

Public opinion polls show, for example, that in periods of unemployment the popularity of business takes a nose dive. We see the same loss of confidence in periods of widespread strikes. During such periods the American people tend to lose patience with those of us who are in business. In such times it is almost futile to try to explain complicated economics, to try to get people to understand that there are forces beyond the power of any business to control. To the

American people there is a problem to be solved. They look to their leaders to get on with the solution. And high among their national leaders they rank men of industry.

### *Better Communications Needed*

A vitally important area of our responsibility, it seems to me, is the need to establish better communications between business and people—the kind of improved communications that lead toward better understanding.

I suppose that all of you are as conscious as I am of the difficulties to be overcome—difficulties that exist not only in business but in government, in education, in labor unions, in the professions, or in agriculture. It is an easy thing to say, “We will tell the public what we are doing.” It is a far more difficult thing to seize the attention of people even for a moment and get them to listen. Which of us has not said to himself, “If only I could get people to understand my business and see with me the many complex factors in the situation, then I am sure they would agree with my course of action.”

This is a problem to which we must give much time and effort. Business has paid heavily for failures in communication. Because we have been either backward or ignorant about keeping in touch, we businessmen stand indicted on many counts in people’s eyes—most unjustly, in my opinion, but indicted nonetheless.

A substantial minority of Americans think we get together in smoke-filled rooms to rig markets and fix prices. Many feel that we hold back improved products, or that big business is almost synonymous with exorbitant profits and salaries.

In my company we keep as close a tab as we can on what

people think, not only about Jersey Standard but about business in general. And survey after survey turns up information such as that I have just outlined. Out of this welter of confused and mistaken ideas one big need shines forth: the need for better understanding of the importance of the profit motive as the spark plug of production, and of increased output per man as the only means for achieving increased real wages and a higher standard of living.

In a way, the ineffectiveness of our efforts at talking with people is rather a paradox. We have the will. Moreover, there are a host of tools at hand to do the job—radio, newspapers, magazines, films. We cannot complain that we lack the means.

What we appear to lack is the skill. Little by little, to be sure, we are becoming more proficient; and it is my hope that we shall be able to step up this proficiency to a point where we will be able consistently to obtain the understanding of people.

This matter of communication is important not only from the viewpoint of self-interest, but from that of the common good. Business is a dynamic and creative force in our society. It is not something separate and apart but is linked and interwoven with our entire way of living. The development of a continuing friction between business and other segments of our society, therefore, would be disastrous for all. It is something that could be hoped for only by those who would weaken our society.

Better communications can prevent the development of friction and lessen any that already exists. A primary responsibility of modern business, then, is to report to the public—to act in the open—to live, as has been said, in a goldfish bowl.

Of course, skill in communication is not the end. There must be something to communicate. What are some of the problems for whose solution the public looks to business for responsible leadership?

### *Obligation to Meet People's Needs*

A major current obligation is that of supply. The reason for any company's existence is, of course, to meet a human need. It must try to supply the kind of goods that people want, when and where they require them. Today, largely as a result of inability to replace and expand equipment during the war years, it is not easy to supply people's wants in some lines.

This creates a problem, and it is up to business to do all it can to solve it. This means that managements cannot always consider economic factors alone when making decisions. In order to meet a public need it may often be necessary to undertake actions which would normally be vetoed from a narrow profit-and-loss viewpoint. In my own company, for example—and I am sure there are others which have done the same—our funds available for reinvestment are being used primarily for facilities which will increase supply. We have refrained from undertaking some ventures which promised far more attractive returns but which would not have increased the oil supply.

In connection with supply responsibility, this audience may be interested in our views on the oil situation. The industry has felt the full force of the tremendous up-surge in the national economy. This year the American people will use almost double the oil consumed ten years ago. Oil production will be 17 per cent more than the output of the peak war year—1945.

To help meet this skyrocketing demand, we have, on the one hand, stretched to absolute capacity every bit of equipment at our disposal. On the other hand, we have invested huge sums in a program of expanding productive capacity at a rate the greatest by far in our history. Hundreds of oil companies are doing the same.

As a result, we expect that the industry can supply as much as eight per cent more gasoline this summer than last. Next winter the industry should be able to supply all existing heating oil customers and new dwellings which will require oil rather than some other fuel. No prolonged local shortages or breakdown in distribution can reasonably be expected under present conditions. There may be minor, temporary, and localized shortages. Individual service stations here and there may be out of gas for short periods. Naturally, if present conditions change radically—if military needs increase greatly or if major strikes occur—oil, like almost any other commodity under similar conditions, might well be in short supply.

### *Helping to Check Spiral of Inflation*

Another matter of concern to the American people today is prices.

The action which the management of a particular company should take on prices is not always an easy and simple thing to decide. There are, for example, economists who will maintain that it is irresponsible for a company to reduce its prices when, because of factors beyond its control, it is already having to strain to meet demand. These economists will point out that the price reduction will have a tendency to expand demand, and thereby to increase still further the strain on our

productive system. I may say that in my own company we were aware of this argument. However, we felt that an increasing oil supply would tend to abate upward pressure on price and that, in the meanwhile, by holding our prices, even for a relatively short time, we could help avoid price spirals.

As I hardly need point out to this audience, there are many factors affecting prices which are beyond the control of businessmen. These factors include government debt, taxes, prices in other fields such as agriculture, wages, the import-export balance, and so on.

Further, businessmen must take into account their costs of doing business and the earning of a reasonable profit if they are to keep their concerns in existence, continuing to supply goods for consumers and employment for workers.

To the full extent that they are able, however, businessmen must exert themselves to prevent runaway prices. Several American companies *have* taken action of this kind, and although they have not been able to stop the tide, I believe that their efforts have at least had the effect of slowing it. Certainly such conduct is testimony to a clear awareness of public responsibility.

### *Earnings Applied to Increase Production*

A third area in which people look for actions that are conditioned by a sense of public welfare concerns the disposition of corporate earnings. I mention this particularly because we are now at the time of year when companies are issuing their annual reports, and when the newspapers are full of earnings statements.

The profits being reported by American companies are, in many instances, high in comparison with those of past periods.

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In some cases, they are at record levels. But these figures, standing by themselves, have little meaning. They must be considered in relation to the jobs which profits are called upon to perform. These jobs are related to such factors as growth in population, the number of people served, the volume of goods required, and the purchasing value of money.

What is significant about net earnings, in my opinion, is not so much size but what a company does with them. It is generally agreed that there is a pressing need to enlarge the productive machinery of this country in almost all major lines. This need arises at a time when the cost of constructing new plants and building new machinery is extremely high as a result of inflationary forces throughout the world. Inflation bears also on the people who rely on dividends from business for all or part of their income. These people—who have provided the tools for America's industry by their investments—are like all of us in that they feel the declining value of the dollar.

Under such circumstances managements must exercise great responsibility when deciding what proportion of net earnings to distribute as dividends, and how much to re-invest in plants and equipment.

### *To Stabilize Employment*

Still another problem to which the American people want business leaders to give attention is that of depressions in the business cycle.

In this field again, as in that of prices, business does not have sole responsibility. Governments, farmers, labor—the habits of consumers and the hopes and fears of the general public—are all involved. Nevertheless, businessmen must try

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to minimize the fluctuations and to reduce their harmful effects. That entails efforts to stabilize employment.

It may be difficult, but if the men of industry cannot find ways of achieving more stable employment, people are likely to turn to government. And whenever we turn to government for help in solving our problems, we give up part of our freedom.

No two businesses are exactly alike, and things that are possible in one kind of industry may not work in another. But in the management of my company we have given a great deal of thought to the question of stable employment.

At the present moment, 90 per cent of the domestic employees of Standard Oil Company (New Jersey) and affiliated companies have been continuously employed since the day they were hired.

In the depression of the Thirties, we introduced a "staggered work program" which enabled us to keep a substantial majority of our working force steadily employed. By the careful planning of storage operations in slack seasons, we have been able, in common with the oil industry in general, to level off seasonal peaks and valleys considerably.

In Jersey Standard, employees have been given the security of a Retirement Program, and an opportunity to accumulate savings through a Thrift Program to which the company has consistently been the larger contributor. These are means of reducing the effects of such unemployment as may be unavoidable.

We feel that there is more yet to be achieved in the direction of continuity of employment, and we are now studying means for providing stable employment under almost any reasonably conceivable circumstances.

Of course, no purely financial arrangement reduces in the

slightest the need for sound and cordial human relations within a company. Also, I should like to point out that any plan for stabilized employment, or any other program of employee protection, must be based on hardheaded practicality if it is to contribute to true security. The security built by an individual for himself, and even the security of a nation, depend on the strength and resources which each can command. Similarly, any plan looking toward greater employee security must depend on the strength and resources of the company. No such plan is stronger than the concern back of it.

The desire for security is a deep instinct, however, and the wish for stable employment is a part of it. Since business has solved so many other tough problems, it is no doubt only natural for people to look to business for help in solving this one.

### *Corporate Citizenship for National Security*

No discussion of the topic we are considering tonight would be complete without reference to the responsibility of the citizen—whether individual or corporate—to his country.

It goes without saying that every company capable of producing any sort of goods required for national security must respond fully and promptly whenever called upon. America's industries are Uncle Sam's muscles. They have not failed him in earlier emergencies, and they will not fail him if one arises again.

While willing to serve without reservation in time of conflict, however, the corporate citizen, like the individual, should hope and work for peace.

Companies with foreign operations have a particular responsibility in this connection. They must recognize that

international trade relations may involve political considerations of the highest order, and that policies governing such considerations are the responsibility of our government acting in the best interests of all its citizens.

Companies should not expect greater protection for their interests abroad than is normally afforded by the United States Government to any private citizen in overseas trade. When doing business in other countries, they should conduct themselves as good citizens there.

I have now spoken of a number of specific matters. I have pointed out that business is expected to show a sense of public responsibility when it takes actions affecting supply, prices, profits, business fluctuations, or international trade. This list is, of course, not complete. There are many other problems on which the public expects responsible action by business—action that will help the people at large to find solutions.

But I have talked of these particular problems because they are current. They are things which are at present in the spotlight. Next month or next year, the problems may be different. But the need for communication, the responsibility for keeping people informed, will remain. Business must have the support of the public, and that support can be achieved only through continuous, effective communication of the facts.

The function of communication assumes larger and larger proportions in business management. To the extent that executives succeed in it, they will contribute to the unity, and hence to the strength of our society. I am confident they will not fail.