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SELF-REGULATION OF INDUSTRY

by

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SELF-REGULATION OF INDUSTRY

My remarks here today have been planned with the thought that you men in the Army Industrial College are bound to have an interest in the organizations of business men in the United States. In general such organizations fall into two classes: the local associations of business people in all lines of economic enterprise - commonly designated as Chambers of Commerce, and the national, regional, or local, associations of business people in the same lines of industry, or commerce, or transportation, insurance, or banking - commonly designated as trade associations.

The chambers of commerce are chiefly concerned with the business and civic interests of the communities they serve; and the trade associations are concerned with the advancement of the common interests of their members and their industries, or other lines of business which they serve. To a very considerable extent business firms and individuals that are members of trade associations likewise hold memberships in local chambers of commerce.

It is more particularly concerning the trade associations that I desire to talk to you today. But it might be suggested that any comprehensive plan for industrial mobilization of the business units of the country should contemplate use of both trade associations and chambers of commerce. While the trade association is undoubtedly the natural agency for acquiring and maintaining contact with specific lines of industry, the local chamber of commerce because of its familiarity with local conditions, whether with respect to sources of materials or on the subject of labor relations, is in a position to render valuable services within the territory which it represents.

I want to say just a few words to you here at the outset about the Chamber of Commerce of the United States. With the Chamber are affiliated as members the principal trade associations and local chambers of commerce throughout the nation. Policies of the Chamber are determined exclusively by the action of its member organizations either through a system of referendum or by vote of the delegates of its members at annual meeting. In addition to the 500 trade associations and 1200 chambers of commerce - with an underlying membership of over 750,000 individuals, firms and corporations - the Chamber under its by-laws has also in its own membership a large number of individuals, firms and corporations that are themselves members of its constituent organizations.

Turning now to our subject of "Self-Regulation of Industry", although the term "self-regulation" with regard to business has been employed under varying circumstances with widely different meanings, it is commonly understood as the antithesis to government regulation of or control of business enterprises and business operations. In the use of this term business does not imply or suggest that its conduct and affairs should be wholly removed from the realm of public regulation. On the contrary, it believes firmly in the necessity of Congress laying down rules and the Courts' defining rules, of public policy as essential to the maintenance of law and order. Within the limits so laid down and defined, however, business contends for a right so to administer its own affairs and regulate its own conduct as to obviate the need for specific regulation in the public interest. I shall go back to this subject and discuss it further, a little later.

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Now, on the development of trade associations in the United States, the fact is that the inclination in each field of business to "associate", in order that each enterprise in itself may be strengthened, is no new thing among Americans.

In turning back, we find assistance from a foreign observer who was at once acute and sympathetic. Something one or one hundred years ago a young Frenchman by the name of Alexis de Tocqueville came to this country to study the experiment in democracy on which this nation had embarked. Although a newcomer in the family of nations, the progress which the United States had made in the preceding fifty years in founding and in maintaining a system of government based on the principle of equal rights and equal liberty challenged the attention and interest of the old world as holding forth promise of a greater freedom and more enlightened rule to the peoples of other nations.

In his "Democracy in America" de Tocqueville repeatedly expressed one thought which impressed him particularly. He said "Americans of all ages, all conditions, and all dispositions, constantly form associations. They not only have commercial and manufacturing companies, in which all take part, but associations of a thousand other kinds, - religious, moral, serious, futile, extensive, or restricted, enormous or diminutive I met with several kinds of associations in

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America, of which I confess I had no previous notion, and I have often admired the extreme skill with which the inhabitants of the United States succeed in proposing a common object to the exertions of a great many men, and in getting them voluntarily to pursue it. . . . Thus the most democratic country on the face of the earth is that in which men have in our time carried to the highest perfection the art of pursuing in common the object of their common desires, and have applied this new science to the greatest number of purposes "

These are the observations of a man recording impressions about what he saw passing before his eyes. If he had engaged in research, he would have discovered that associations, including associations in fields of industry and trade, had assumed importance long before his time. Men with small resources and handicapped because of difficulties in finding labor, associated with other men in similar enterprises in order that they might support one another in solving their common problems. Such association developed in a distinctively American form, different from cartels and syndicates and other foreign methods of common action. It is a method to which Americans turn almost instinctively. A result is that it played a great part in our progress. It has persisted through vicissitudes, and is as vigorous today as ever before, adapted to the conditions of our times.

What could be more accurately descriptive of the present day value of association effort than the following words of de Tocqueville "An association for political, commercial or manufacturing purposes, or even for those of science and literature, is a powerful and enlightened member of the community, which cannot be disposed of at pleasure, or oppressed without remonstrance, and which, by defending its own rights against the encroachments of the government, saves the common liberties of the country " Words of prophecy, these - which remind us that as Americans we must not fail in our day properly to evaluate and to apply the beneficial influences inherent in association effort for a common cause

The need for straight thinking and right action on the part of business men has never been more pronounced than at the present moment. With the government in competition with its own citizens to a degree never before realized, with government spendings far exceeding all previous peacetime records, with a steadily mounting burden of taxation which hampers private business operations, with unemployment at a

level which aggravates the difficulties of any plans for business development and stabilization, - and I mention here only a few of the conditions which are obstructing and threatening each industry and trade, - it requires no gifted imagination to visualize the need for all the benefits and strength that can be derived from the enterprises in each field associating together to face the problems which confront them all, not alone problems of defense but even more problems of making advances despite the obstacles to be surmounted

Advancement and protection through organization of trade associations is a logical development of American principles observed by de Toqueville in the year 1831. In a land consecrated to the protection of individual liberty and the preservation of the right of private initiative, it was but natural that men and enterprises having common interests should come together in voluntary associations for the protection and promotion of those interests. The soundness of this procedure, whether from the standpoint of those who participate or from the standpoint of the public welfare, has been placed beyond question. The development of orderly processes of production and distribution, the adoption of fair rules of business practice toward competitors and toward the public, the promotion of increased efficiency with lower costs and lower prices, and the bringing of articles within reach of an increasing number of consumers, are beneficial alike to the public and to the industry - and never more so than today.

The pressing need now is to guide each part of American business on its way to an early and lasting recovery. With full recognition of all of the considerations, we may well ask ourselves, - are trade associations making the most of the opportunities available to them for the exercise of constructive and effective leadership in the interest of their members and the general public?

My answer is emphatically in the affirmative. Certainly, there is no lack of endeavor. So far as there is any failure to attain the goal, it is not due to persistent and intelligent effort of men of good will. Executives of associations everywhere will bear witness, I am sure, to the good will that characterizes the business men who carry the load of association endeavor, making sacrifices, too often unrecognized, for the common good and the public interest, and contributing abilities and experience which could not be purchased for money.

As a part of my answer I would point to the record of achievement in recent years. I know the record of trade associations during the depression, and the manner in which, frequently putting aside their own judgments, they and their members threw themselves into the task of making N.R.A. a publicly beneficial institution. There never was such a demonstration by business men of their readiness to put their shoulders to the national wheel as was given in Washington during the hot summer of 1933. If the experience and knowledge of trade associations had been more fully accepted, there might have been a different end to all of these endeavors.

With these efforts associations have not stopped, or become discouraged. On the contrary, they are challenged by the problems of the times, and are rallying to deal with them.

It is heartening that the aggregate membership of trade associations has reached a figure above any pre-depression point, and that their resources, however scant for all they have to do in these times, are equal to the highest figure before the depression. These are signs of the gathering of forces of association in all our business fields to concentrate still more attention and effort upon the obstacles to business and national progress, not merely removing them but blocking out ways for new advances. I have mentioned that there are in the membership of the United States Chamber five hundred trade associations. Their memberships total almost a quarter of a million. This is not a complete roster of important associations. Just as trade associations have the task of enlarging their membership to the full extent of their fields, the Chamber still has to show many trade associations that they have a necessary place in its activities upon behalf of all. We estimate a total of about seven hundred twenty national trade associations, with a membership approximating four hundred fifty thousand.

Association is never to be thought of for its own sake. It cannot be merely formal, just a mechanical routine, without losing its essential character. Its true nature was very well described by Elihu Root, speaking thirty years ago at Yale University. He said "Men influence the conduct of others chiefly through personal association and intercourse. There is such a preponderance of good in human nature that association with men ordinarily begets a liking for them. As men come to know each other, each comes to receive from the others the respect and confidence to which he is entitled, his character and his opinions insensibly acquire their due weight and influence. It is not the stranger who says, 'go there,' or 'do that,' who is obeyed, but it is the old acquaintance who says, 'come with me,' or 'let us do thus and so,' who is followed."

No amount of attempts at misrepresentation about the intentions of an association can ever overcome the truthfulness of these words or the value of men, including competitors, coming to know and understand one another.

There are other important landmarks in the growth and expansion of the associations within recent years. It may fairly be said, for example, that the World War undoubtedly gave great impetus to this movement which until that time had developed conservatively and in rather limited fields. Upon the entrance of this nation into the war the government was suddenly confronted with the unprecedented task of clothing, equipping and feeding several million men - a task far beyond the means or the resources of its own agencies of production. The burden of supplying this demand necessarily fell on private industry. To insure adequate supplies for our armed forces, committees by trades and industries were organized, through which orders were placed and production expedited. Most of these committees, known as war service committees, were created by national trade associations, and received their whole-hearted support.

The record of the war service committees is one of lasting achievement. From the standpoint of association advancement the organization and work of these committees appears to have two important aspects. In the first place, direct contact between the government and the war service committees dispelled much of the hostility which had formerly existed on the part of public agencies toward business bodies, at the same time providing the government with conclusive proof of the efficacy of dealing with representative and responsible business enterprise as a means of securing adequate and dependable supplies in times of emergency. Of even greater importance was the effect of this experience on the individual business man. Whether he was "association-minded" or on the other hand, whether he considered himself to be one of the leading exponents of the doctrine of rugged individualism - I have reference, of course, merely to his attitude toward his competitors - he found himself in the position of working cooperatively. He discovered some of the beneficial results which flow from acquaintance with his fellows and from effort in association toward a common objective. By personal contact with others in the same kind of business he learned, perhaps for the first time, that his competitors were men of flesh and blood like himself, usually had just as good motives, and were generally endowed with many admirable qualities he had not hitherto associated with competitive conduct on the part of others. To the war service

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committees and their practical demonstration of the value of business cooperation, and to the national trade associations actively participating in this program, must go credit for much of the newly awakened interest in trade organizations and trade organization procedure immediately following the war period

I will quote a resolution on trade associations that was adopted by the War Emergency and Reconstruction Conference, held by the Chamber of Commerce of the United States in December 1918. This resolution read as follows

"The experiences of the war have clearly demonstrated the value of national trade organizations and their service to the country as well as to industry

"This conference heartily approves the plan of organizing each industry in the country in a representative national trade association and expresses the belief that every dealer, jobber, manufacturer and producer of raw materials should be a member of the national organization in his trade and cordially support it in its work "

But the benefits of war experience were not to be gathered and coordinated without dismaying interruption. Not many years had passed before the Supreme Court rendered a decision in a particular case, using language of apparently general application. Such application cast doubt upon the legal propriety of men in business associating with one another. It had even been argued before the Supreme Court that any association, whatever its purpose, was inherently illegal. That there should be confusion was inevitable. It was equally inevitable that the Supreme Court should clear away the misapprehensions it had caused, and the result has been that in probably no field of law has the Supreme Court more scrupulously endeavored to weigh and to define the rights and the obligations of the several interests involved - the public, the industry, and the individual - than in the law relating to trade associations. As stated by one commentator, "The problem of the Court has been to strike a balance which will allow the maximum of concerted action without destroying the rights of individual traders, and without infringing on the rights of the public." To the individual is preserved the right of engaging in the business of his choice, unhampered and unrestrained by artificial barriers erected by his competitors. To the association is assured the privilege of working to protect its industry from

within and from without, of pointing the way of development and of collecting and distributing information concerning existing conditions in the industry which will enable its members to conduct their own business operations most intelligently in their own best interest. And to the public is preserved its interest in the maintenance of free and open competition in accordance with the declarations of public policy enacted in the anti-trust laws.

Trade associations thus have the way open to them for greater usefulness than ever before to their own constituencies and to the public of which every industry and trade is a part. This opportunity is increased by the end of NRA as that institution developed it went contrary to our national tendencies. The American people generally - and the American business man is no exception - do not take kindly to a rigorous inter-meddling on the part of the government in matters which have long been deemed to be of purely private concern. The interference by representatives of the government in intimate details of business operation and management have undoubtedly been responsible for some of the present antipathy toward any revival of the NRA program. Business men and the public distinctly rejected the idea of government of business from without.

This decision having been made, there is the alternative of self-control, with association efforts the best means of promoting self-control. That there are but two alternatives, Mr. Root wisely said in 1907, if I may quote him again. His terse statement was "Men must either govern or be governed, they must take part in the control of their own lives, or they must lead subject lives, dependent in the little things and great things of life upon the will and power of others."

Self-control is a very comprehensive term. In the case of associations of men in an industry or trade it contains possibilities which may not at once occur to us. Some of them emerge when the enactments on our statute books are examined. It soon becomes apparent that those statutes which have had the most general acceptance, and which have been most fully observed, have been but restatements of a common law itself incorporating those rules developed by men in their daily transactions with one another in industry and trade. The contrast of enactments with such realistic basis is striking when attention is turned to the history of laws attempting to codify abstract ethics or assumed economic principles of the moment. The process of formulating common law principles is continuing. Every trade

association can assist in their formulation - for example, in extending fair practices in competition, until the public will have the full benefit of each enterprise standing solely upon the intrinsic worth of its product or service and the ability of its management - employer and employee alike being free from the menace of unfair advantages elsewhere Lord Mansfield's chief claim to judicial eminence rests upon his transferring bodily into the law whole systems of trade customs that had been gradually brought into existence through the daily experience of men dealing with realities

In more recent years the tendency has been to trust to legislative action to originate the principles and means for meeting problems. But the courts continue their readiness to give recognition to rules drawn from practical experience. That would seem to be the interpretation that is to be placed upon the applications given by the Supreme Court to the Federal Trade Commission Act. These decisions may very reasonably be considered as inviting everyone concerned to seek further progress.

In the light of the decisions of the Supreme Court and the experience of the last two years, the way of opportunity for each trade association would seem to be in the direction of reaching a conclusion as to the course the public interest makes appropriate for its field and then to afford facilities for promotion of self-development and self-control that will advance this public interest. Offhand, it might seem to be the essential question to suggest determination of the public interest, but this is not the case with trade associations. Every trade association has before it a great range of tried and tested activities from the rich experience of associations over a period of fifty years and more - experience into which a wealth of ability and effort have gone.

The Federal Trade Commission Act in 1914 contained provisions that were taken as very promising in the development of self-regulation through the trade associations. For more than 20 years now the United States Chamber has been steadfast in its belief that the provisions of the Trade Commission Act with respect to unfair methods of competition afford an opportunity for usefulness, public and private, equalled by few other statutes - the opportunity to develop fully and fairly the distinctions which all should follow between what is fair and what is unfair in methods, which in and of themselves, contain nothing of moral obliquity but have significance only for economic healthfulness or unhealthfulness. The Supreme

Court's attitude has kept this opportunity open. Its decisions continued in recent years seem to make this clear. It has upheld the Commission in its decisions in favor of reasonable standards set by the responsible and thoughtful members of industries such as constitute our trade associations.

The possibilities of further developing this channel of self-regulation in industry are still of great interest throughout American business circles.

From 1919 to 1930 Trade Practice Conference Rules were sanctioned by the Commission for more than 150 separate industries or trades. Although it is difficult to measure in any definite way the effect of this program, it may be stated without hesitation that in many instances the standard of competitive conduct was materially improved through the adoption and observance of the rules to which the Commission had given its approval. These rules dealt with such subjects as selling below cost, commercial bribery, secret rebates, espionage, false advertising, fraud and misrepresentation, inducing breach of contract, and various other practices more or less common in competitive relations. It is undoubtedly true that the original concept and the work of NRA, so far as these related to the elimination of unfair practices, are directly attributable to the earlier experience under the Trade Practice Conference.

Due apparently to certain misgivings as to its authority and also because of some apprehension that the Conference rules were being misused, the Federal Trade Commission in 1930 proceeded to revise very substantially the rules which it had previously approved or accepted, and thereafter refused to receive any rules which were not merely restatements of existing law. Naturally this tended to destroy the interest of business in this procedure and resulted in greatly diminishing the number of applications for further Trade Practice Conferences.

Since the termination of the NRA, however, there has been a renewed interest in Trade Practice Conference Procedure, and it is entirely possible that eventually this procedure, perhaps in somewhat modified form, will be given specific legal sanction.

I want to take this occasion to mention to you the National Chamber's interest in National Defense questions,

and to make a few observations with regard to industrial mobilization and the preparation of American industrial concerns to discharge their war-time production responsibilities

In discussing the war service committees as an important feature in the development of the trade associations, I might have stressed the part of the Chamber of Commerce of the United States.

We have had special committees on National Defense questions through many years. Since January, 1933, the National Chamber has taken a very definite interest in all questions relating to National Defense, through the activity of its National Defense Committee, that committee having on it, as ex-officio members, representatives of the Army and Navy. The present National Defense Committee has as ex-officio members, Admiral William H. Standley, Chief of Naval Operations, Navy Department, and Major General George S. Simonds, Deputy Chief of Staff, U. S. Army, War Department.

Just two years ago we sent out to our members, for referendum vote by the organizations, quite a comprehensive report containing recommendations ranging over a broad field, by our National Defense Committee as a result of that vote - in which very few negative ballots were cast - the membership of the Chamber expressed itself very positively in favor of the following propositions:

1. The United States should continue support of the principle of limitation of armaments by agreement.

2. In agreements for limitation of naval armament the United States should obtain assurance of a fleet adequate to protect our shores, our territories and possessions, and our foreign commerce to an extent equal to that enjoyed by any other power.

3. The United States should maintain its fleet in relation to the fleets of other contracting powers at the ratio established in agreements for limitation of armament.

4. Within the terms of agreements for limitation of armaments the United States should systematically program all naval construction and modernization.

5. The United States should at all times maintain naval personnel needed for efficient operation of all component units of existing naval vessels.

6 The United States should continue the policy of training reserve personnel sufficient to meet all demands for Navy personnel in the event of war

7 The United States should give continued support to the up-building and maintenance of an American-owned merchant marine suitable and adequate as a naval auxiliary in the event of war.

8 The United States should maintain the principles of Army organization embodied in the existing National Defense laws, calling primarily for a small active military force to serve, with the National Guard and the Organized Reserves, as the nucleus of a large citizen army in case of emergency

9 The United States should make provision each year for Army personnel and reserves adequate to meet the objectives of the National Defense laws

10. The United States should undertake and maintain a systematic program for modernization of Army equipment.

11 The United States should have systematic planning for reserves of war materials and for industrial mobilization, with amendment of the National Defense Act to permit educational orders for equipment, munitions and accessories

12 Within the terms of agreements for limitation of armaments, the United States should pursue a systematic program of building and maintaining air services in the Army and in the Navy adequate to attain the objectives of the National Defense laws

The committee report devoted considerable space to the subject of war reserves and industrial preparedness, including an indication of the essentials in the Industrial Mobilization Plan that had been approved by the Secretaries

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of War and Navy in February 1933 I would point out to you that through submittal of this report the Chamber brought the discussion of this subject before 1700 of our member organizations and many thousands of business men. In all we distributed over 35 000 copies of this referendum pamphlet.

In connection with the work of the Planning Branch of the Office of The Assistant Secretary of War, I am told that the detailed plans for the mobilization of the country in the event our Congress again found it necessary to declare war on a foreign power, comprise the following:

1. Determination of requirements
2. Development of plans for procurement of such requirements
3. Determination of measures to be employed to insure the proper coordination and use of the nation's resources.
4. Development of plans for the organization of administrative machinery that will execute these control measures.

That there should be advanced planning in all these respects is recognized by business as being but a necessary and proper component part of our National Defense.

The determination of the requirements of war materials to bring to a successful conclusion any war in which this country might find itself is of course a highly technical problem, which most business men find themselves unqualified to discuss. This must depend largely on facts and the judgment of our War and Navy Departments regarding them.

As to the other three components of the plan for industrial mobilization, business viewpoints should be taken into account. It is of course recognized that the responsibility for the formulation of plans for the procurement of war materials and the use and coordination of the nation's resources rests with the War and Navy Departments. But to place these plans in effective operation in time of war requires the full co-operation of most of the agricultural, industrial and service units of the nation. I do not need to underline for you the

advantages of wholehearted cooperation over coercion. It seems clear that plans should be made known to business organizations and business concerns and efforts directed to assuring that they are able and willing effectively to discharge the tasks assigned to them.

In working out the details of such plans, it seems to me that there are several fundamental considerations which should be kept in mind. First is that business in the United States is organized primarily to satisfy the peacetime needs of our people. Under the American system the profit motive, when not arbitrarily interfered with by government in unwise taxation, regulation or competition, has provided the citizens of this nation with a higher standard of living, shorter hours of work, and more opportunities for personal advancement than has maintained in any other nation of the world. The welfare of our people depends upon the continued profitable operation of American business. Our war plans should always keep these fundamentals in mind.

I believe that I represent by far the preponderant opinion among responsible American business men in saying that business men do not desire other than a reasonable profit in relation to the risks assumed for furnishing the war-time needs of the nation. To attempt to limit profit below this point is only going to place the government in a position where it will be purchasing below a fair price and where it will find a dearth of suppliers who can enthusiastically and energetically assume the tremendous tasks of meeting the war-time requirements of the nation.

It is recognized, of course, that the President in time of war has the power to requisition, license and commandeer. But to call such powers into use in place of voluntary cooperation of labor and industry with the government should be entirely unnecessary.

I have stated that business should be compensated during times of war on the basis of a fair profit for the risks involved. These risks are, of course, many. The most important of these are - rapidly rising material and labor costs, risks of rejection of goods under inspection requirements that in themselves are proper but many times are unintelligently and arbitrarily applied by insufficiently trained inspectors, the risk of cancellation of contracts, the risk of loss of peacetime markets to competitors, and the burden of finding, at the end of the war, the enterprise saddled with

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investments in bricks, mortar and special equipment which cannot be thereafter profitably utilized. To the extent that planning can reduce these risks the government should be able to purchase at commensurably lower prices. The elimination of any of these risks, or any part of any of them, will naturally make for greater industrial efficiency in time of war and a quicker return to normal conditions upon cessation of hostilities.

It is my opinion that business men are perfectly willing that their war-time contracts should be on such a basis as to provide limitation of profit to a reasonable reward for the risks taken and the facilities utilized. In the limitations of such profits, however, whether it be by excess profit taxation or by cost plus contracts, business men should be assured in advance that in the determination of costs proper recognition will be given to all elements of cost involved, in accordance with the best accounting practice pursued by business men in the peace-time operation of their enterprises.

I have suggested earlier in this address that government agencies developing these plans could materially improve their workability by consultation with those in industry. There is another point which seems to be, in my mind, equally important and that is that whatever role is assigned to business in the plans finally developed, business should be reasonably acquainted with its role in advance of declaration of war and, therefore, prepared to give creditable performance. I understand that, as to certain important munitions, allotments are actually made in advance to individual enterprises. I am wondering whether such allotments and particularly their acceptance made in the past have been checked with the changed conditions in which many enterprises find themselves after so many years of depressed conditions. In other words, it would seem necessary that these allotments should be periodically checked and particularly in times of rapidly changing business conditions.

A most practical and satisfactory method of acquainting industry with the role it is to play in time of war is, in the opinion of the Chamber, the granting of educational orders. Since 1928 the Chamber has been urging such a measure. I have cited our referendum declaration on this point. In 1928 our annual meeting made the following declaration:

"Modern war is a war of machines and requires these machines in numbers heretofore undreamed of. The capacity of government arsenals for the

manufacture of these machines is small compared with the volume required in time of war. In order that industrial enterprise may in times of peace become familiar with munitions manufacture and be prepared to do its part in war production it is essential that the National Defense Act should be so amended as to permit the Secretary of War to place with industries orders of an educational character for equipment, munitions, and accessories. In this manner only can commercial concerns obtain familiarity with war requirements and have their place in industrial war plans of the War Department."

It is a pity that we have not utilized this means of governmental employment during the depression. It should still be urged upon Congress.

One comment I will venture on this whole subject of industrial mobilization is that industry itself, despite the short period that has elapsed since the World War, is not nearly so conscious of the importance of industry in time of war as are the military officials upon whom rests the responsibilities imposed by Section 5-A of the National Defense Act.

In this part of the discussion, as in what I have said with reference to the trade associations and business viewpoints generally, I hope I have succeeded in the effort to keep one eye on our theme of "self-regulation in industry".

In closing, let me assure you of the continuing interest of the Chamber of Commerce of the United States in the whole field of National Defense. We recognize our limitations in such a field, and our aim and purpose are to deal as sympathetically and intelligently as possible with those phases of your field which come within the range of our interest and our competency.

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DISCUSSION FOLLOWING LECTURE BY Mr. HARPER SIBLEY

"SELF-REGULATION OF INDUSTRY"

February 28, 1936

Q - We have seen how the World War had a beneficial effect on the formation of Trade Associations. I wonder whether the N.R.A. stimulated the formation of new Trade Associations or had any effect on them?

A - During the period of the N.R.A. they were set back because their shops were turned over to the code authorities, although the code authorities and the trade associations were the same people. After the N.R.A. went out of existence there was a feeling that voluntary government was absolutely necessary. It was controlled administration. We had a desire for the type of thing it was hoped the N.R.A. might do and business men came here with high enthusiasm but unfortunately the codes were not administered slowly enough or wisely enough. The trade associations are as strong as before and probably stronger. They have learned a great deal and know more than they did before the existence of the N.R.A. We think it has been helpful to business.

Q - At the present time manufacturers are confronted with a great shortage of skilled labor. Is Industry doing anything at present to improve this?

A - There is no doubt about it - there is a growing shortage of skilled labor in some lines; there has been lack of development of employees in these lines. It is not tremendous yet but it is impending and if business goes ahead as it has there will be a serious shortage.

Mr. B That was my job in the Chamber - foreign

trade activities. There is an effort being made on the part of foreign traders to get back those men who have drifted out to other occupations. That is being done through the American Trade Association. Whether others are doing the same thing I could not say but it does represent one definite channel through which men who have drifted into other occupations can be brought back.

Q - Is industry training apprentices?

A - I don't know whether they are training apprentices ahead. I do know that industry is worried about it.

Q - In the case of an emergency there will be competition for labor of certain types. Has the Chamber any idea of how to keep that within the bounds of reason?

A - I doubt very much if we have actually faced this critical question. The whole thing would have to be put on a war basis and allotted. Up to the last few years it has seemed incredible that there should be war. It is only within the last few months that the world has felt we are possibly facing war. Because we were more or less isolated we have felt reasonably safe. Then too, there was such a surplus of labor that we did not worry about it. It is doubted if we have ever come to grips on that problem.

Q - During the last war the excess profits tax was put into effect and it took a great deal of profit away from industry. Do you think our attitude toward placing increased tax bills on the books will delay a quick start of war production in case of a national emergency?

A - There are going to be some careful studies on taxation and

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we hope unreasonable taxes will not be put on the statute books.

Yesterday the Advisory Board met and had lunch at the White House with the President and one of the things they determined to do was to form a committee to study the question of taxation. It is hoped we won't have unreasonable taxes or the confiscation of profits during war. On the other hand, I think everybody objects to industry making large profits out of war; that is not fair. There were undoubtedly many who made unreasonable profits. However, I remember one man who had a contract for caps which he took at a price of 18 cents when actually the usual contract price of caps was much greater. He got into production and made a tremendous amount of money - quite unintentionally and he was rather ashamed of it. I think it is only fair to say that any profit above normal return should go back to the Government.

Q - One of the methods proposed for the payment of war debts is in the form of certain strategic raw materials. Can you tell me the attitude of industry toward that payment or is there fear that if payment were made in that manner it might be diverted into industry and thereby cause loss.

A - I think there is very unreasonable fear of imports on the part of our American people. The minute they see any goods coming in from a foreign country they say it displaces production. They don't realize that trade creates trade and if we bring in imports we can buy exports and employ labor on doing it. There is a lot of thinking that is unreasonable and I don't think we can limit trade by constantly increasing tariffs against imports. We have got to let more come in and more will go out.

I think there is an unreasonable clamor against goods coming in.

For instance, take the question of the importation of grain this last year. We had a tremendous drought in 1934. They did not harvest any grainⁱⁿ/the state of Nebraska. As a result a great deal of grain came in from the Argentine and we kept our prices at a reasonable basis. Therefore the outcry against Argentine grain coming in is ridiculous. They all point to the fact that reciprocal tariff agreements would bring more imports. We ought to have a reasonable protection for our own producers but we must not get panicky because there is a reasonable amount of import trade.

Q - Is there active and organized opposition to the proposition of obtaining educational orders or is it merely indifference?

A - Certainly there is no active opposition on the part of business. We have constantly supported the proposals in Congress for modification of the National Defense Act in order to permit educational orders. The opposition has been in Congress. It is quite possible that there may have been indifference in 1928 and 1929 on the part of business itself. However, the vote on our referendum showed them to be in favor of it.

Q - Is that proposition a part of the legislation program of the National Chamber?

A - It is one of the proposals before it in the referendum. The moment it appears that such legislation is likely to make progress we will ask our organization members to express their views. We do not dictate to our member groups; we say that on such and such a date a vote

will be taken on this proposal. This legislation is now becoming urgent and we recommend that you file immediately with your Senators and Congressmen your views." We know a great majority of those views will be in favor of the proposal.

Speaking of production, I could not agree with Mr. Gay's statement yesterday about production. He said if you had one million bushels of wheat at \$1.00 that was good, but if you had two million at \$.50 that was better. That would not be good, it would be bankruptcy for the farmers because that wheat would cost them \$.75. It costs that for the average American farmer to produce wheat. \$.75 would let them get by. That cost is made up of taxes, interest, transportation costs, costs of machinery, gasoline and oil; these are all fixed charges and the result is that if the price dropped to \$.50 the average farmer would not be able to pay his taxes and interest, and it would bankrupt a large share of them. It would be nice for the consumer at the expense of a large area of our people. What we have to have is a reasonable balance. If the Ford plant were to turn out 4,000 cars a day that would be all right; if it turned out 8,000 the price would break and the plant would collapse. So it would not be good to double the amount of wheat and cut the price in half. We could not meet it.

Q - In connection with price control, certain organizations, members of trade associations, have for a number of years submitted bids which, when the cost of the product was computed at point of delivery, would be uniformly the same regardless of the source. In

certain organizations functioning under the code authorities in certain areas regardless of the course of material, the costs when computed were found to be uniformly the same. Is that the general policy of the trade associations of the U. S.?

A - I am inclined to think that was the desire of some business men who thought they could fix a price above the cost and more or less establish their profits but I think they learned it was not a practical procedure. I don't think it can be done legally and I don't think most business men feel it is good practice. There is a system of open price filing, which is not fixing however, it is filing prices in the open so others may see them but it is not conspiring to fix prices. Probably that would be helpful under the right procedure and tend to keep prices in a fair range. I think that you can't just fix prices - whether it is in raw materials or not. You can't fix a price of 12 cents on cotton for it won't move unless it is a world price. If the price is high, goods back up. Business men have gotten over their desire to be guaranteed prices or to be able to fix them.

Q - Along that same line, are not prices practically fixed in the oil and gasoline industry by cooperation between industry? If one place raises the price of gas or oil you find the next day that all the others have raised to the same price.

A - They have got to keep in close touch with each other. It probably is not conspiring together; it is more one competitor meeting another. You run across the most curious thing in traveling around the country, in California you buy gasoline or oil right beside the oil der-

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ricks and you pay more than you pay in New York. It is even 50% or 60% higher than in New York City. There is no uniform price across the country but they have got to keep in line with each other. If one establishes a price and the others don't meet it, they won't sell gasoline for long. They can't openly make any fixation of prices between each other.