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COOPERATION AND EFFICIENCY IN DEVELOPING OUR FOREIGN TRADE

ADDRESS

DELIVERED BEFORE THE AMERICAN IRON AND
STEEL INSTITUTE, AT NEW YORK, N. Y., ON MAY
26, 1916, UPON TRADE ASSOCIATION, COOPERA-
TION BETWEEN EMPLOYER AND EMPLOYEE, AND
BETWEEN THE GOVERNMENT AND BUSINESS
FOR THE MUTUAL IMPROVEMENT OF BUSI-
NESS METHODS AND LABOR CONDI-
TIONS OF ALL THE PEOPLE

BY

HON. EDWARD N. HURLEY
Vice Chairman Federal Trade Commission



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COOPERATION AND EFFICIENCY IN DEVELOPING OUR FOREIGN TRADE.

ADDRESS OF EDWARD N. HURLEY,
Vice Chairman Federal Trade Commission,

According to an old story, King Midas was at one time showing his golden treasures and the vaults built for their safe-keeping to the philosopher Solon.

Solon was greatly impressed by the stores of gold and the strength of the vaults, but prophetically observed: "Midas, the man who has possession of the iron of the world will some day be master of all your gold."

We have moved a long way toward the fulfillment of Solon's prophecy. The American Iron and Steel Institute is evidence of it. I feel highly honored by your invitation to address you. Your institute has already done much to put in practice the principles which I believe lie at the foundation of all successful business, and, being the greatest association in the greatest industry in the world, it has an importance not confined merely to its members and to the iron and steel trade, but its influence affects vitally our national life and international commerce.

IRON AND STEEL INDUSTRY OF THE WORLD.

We can learn many things in this country which will assist us in developing foreign trade from the organization and efficiency of the iron and steel industry in the great industrial countries of Europe. In Europe this industry illustrates the effectiveness of cooperation, first between business men, second between business men and Government. I feel that we should study its methods, both because it is one of our most formidable competitors in foreign markets and because it will suggest to us methods for meeting this competition successfully.

ITALIAN IRON AND STEEL INDUSTRY.

Only within comparatively recent years and since the introduction of foreign capital has industrial organization in the form of cartels and syndicates developed in Italy. Among the better organized industries is that of iron and steel. In April, 1911, the six leading Italian iron and steel manufacturers combined and formed a syndicate known as the Ferro et Acciaio (Iron and Steel). The syndicate agreement was made for 12 years and the Ilva Co., located at

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Genoa, was named to act as the common selling agency until December 31, 1922. The companies in this syndicate represented a total capital of \$26,800,000.

FRENCH IRON AND STEEL INDUSTRY.

The French iron and steel industry is one of the most highly organized industries in France. Of the various syndicates of iron and steel producers in France the Comptoir de Longwy is the largest and best organized. It combines 18 important firms. In 1909 its syndicate contract was extended for 20 years. Each month it fixes the prices of coke and raw iron. It produces about seven-tenths of the annual production of pig iron in France. In the interests of foreign trade it has established a special export organization which handles exclusively all the export business of its members.

BELGIAN IRON AND STEEL INDUSTRY.

Nearly all of the leading Belgian industries are exporting industries and long ago pooled their forces and combined for the purpose of promoting their export trade. The steel manufacturers have a syndicate which is organized along the same line as the steel syndicate of Germany, with which it has an agreement concerning class A products. It sells its products exclusively through a common selling agency located at Brussels. About three-fourth of its products are exported. In practically every branch of the Belgian iron and steel industry there are smaller cartels and syndicates through which the manufacturers work jointly for their common interest. It is said that the success of Belgian export trade is in a large measure due to organization and cooperation among industrial producers.

BRITISH IRON AND STEEL INDUSTRY.

A well-known English economist in a recent discussion of organization and combinations among British iron and steel producers said:

In all the recent amalgamations the main desire has been to increase the power of resisting American competition, and the opportunity has been taken of raising fresh capital from the public for the purpose of extending works and modernizing plants.

Although there is a tendency among British iron and steel manufacturers toward merging small with large concerns (as in the case of Bolckow, Vaughan & Co.; Guest, Keen & Nettlefolds; Vickers Sons & Maxim; Sir W. Armstrong; and Whitworth & Co.), numerous combinations and trade associations also exist for controlling prices and production and combating foreign competition.

Among the larger combinations of steel producers are the Scotch Steel Makers' Association and the North of England Makers. Both of these divide territory and fix prices. Other similar organizations are the National Galvanized Steel Makers' Association, the Tin-Plate Bar Combine, the South Wales Siemens Steel Makers' Association. The manufacturers of galvanized plates, which constitute one of the chief items of English steel exports, are also organized. As illustrative of the extent to which the British iron and steel trade has been syndicated, I may mention the fact that the greater part of the

annual output of ship and boiler plates, galvanized plates, tin-plate bars, and rails, amounting to about three to three and one-half million tons, is controlled by combinations of manufacturers.

GERMAN IRON AND STEEL INDUSTRY.

The German steel industry has few, if any, equals in effective organization. It offers a typical example of how efficient industrial organization and cooperation, assisted by Government, may succeed in building up a large national industry shipping its products to all parts of the world.

The German Steel Syndicate (Stahlwerksverband) comprises 31 leading steel concerns, including the well-known Krupp company. It controls about 90 per cent of Germany's total steel production. In 1913 its production amounted to 6,339,000 tons.

In the production and distribution of class A products (half products, railway line material, and structural shapes) the syndicate has an almost absolute monopoly. In the case of class B products it controls the production but not the distribution. It has standardized the class A products and maintains a large technical bureau for testing the products of its members and, if possible, to increase uniformity and to improve quality.

The syndicate maintains close relations with dealers' associations and has been instrumental in the formation of a number of them. It has also organized its wholesale dealers in foreign countries.

The total volume of business controlled by the syndicate amounts to more than a billion marks per year. Its expenses of distribution and administration have been reduced materially, so that it now averages only 7 cents per ton of crude steel.

All orders placed with the syndicate are distributed among its members according to their shares of participation, but due consideration is given to the geographical location of the plant desired by the customer.

The control or common selling agency of the syndicate is located in Düsseldorf. In connection with it a special clearing house for the export trade is maintained. In order to promote and regulate systematically the export trade and to equalize some disadvantages under which the German export industry is said to be placed the syndicate, through the Düsseldorf office, computes, regulates, and pays export bounties, which have averaged from 10 to 15 marks per ton of steel half products during the past 10 years. In this way it expended from 1904 to 1908 a total of 17,000,000 marks.

ADVANTAGES OF SYNDICATES FROM ECONOMIC STANDPOINT.

Business men, economists, and statesmen of the leading commercial nations of Europe practically agree that where industries are efficiently managed and under proper governmental regulation, the cartel and syndicate have proven their desirability from an economic point of view and have enabled these nations to hold a dominant position in the world's markets. German and French writers point with pride to the success achieved by their respective iron and steel syndicates, and the present German minister of finance, Dr. Helfferich, stated a short while ago that the cartel organization

has been the acme of German industrial enterprise during the past 25 years.

European iron and steel producers have repeatedly called attention to the fact that their system of cooperation has enabled them to prevent or, at least, tide over periods of business depression and industrial crisis.

Official Government investigations in several European countries make it clear that cartels have succeeded in reducing both the cost of production and the selling expenses, which permits the consumer to purchase the finished product at a lower figure. In the case of the French Comptoir de Longwy, cooperation in selling has reduced selling expenses to from 3 to 4 cents per ton. It is maintained that the cartel organization also enables manufacturers to equalize supply and demand, to adapt their prices to demand, and to regulate the prices of their products in accordance with the cost of raw materials.

AMERICAN SUPREMACY IN IRON AND STEEL.

In a report to the Chamberlain Tariff Commission of England Mr. J. Stephan Jeans, secretary of the British Iron Trade Association, said:

All other things being approximately equal, the country that produces the cheapest pig iron should in the long run be the master of the iron-trade situation.

It is my belief that if the cost sheets of the iron and steel industries in the countries which have been mentioned were compared with those of the United States, the comparison would show that pig iron is produced in this country as cheap as in any country of the world. I believe that not merely in natural resources but in management and organization the American iron and steel industry is in a position to meet the severest competition of its foreign competitors, and in the end to conquer the iron and steel markets of the world.

OUR GOVERNMENT AND BUSINESS.

Has our Government done its part? Has it assisted and encouraged business in a consistent and constructive way? If we are to succeed in the markets of the world, it must do as other governments have been doing for many years. I doubt whether the European iron and steel industries could have achieved success in foreign markets without the active assistance of their governments. When compared with the attitude of those governments and, of late, of the Japanese Government, the attitude of the American Government toward our industries presents a striking contrast.

For several decades our Government has worked out, through the Interstate Commerce Commission, a constructive program for the railroads of the country. It has also made effective, through the Agricultural Department, measures likewise helpful to the farmer. In those cases it has approached the problems in the spirit of cooperation and the results have been beneficial to all.

The Government's attitude toward business, however, presents again a contrast. The trouble has really been one of point of view. Government action has usually been negative; always scattered and seldom constructive.

THE WRONG REMEDY.

Unfortunately, our business men and our Government have been losing valuable time during the past 15 years in trying to settle our economic and business problems, not by cooperation, not by any scientific method which will bring about results beneficial to our people as a whole, but by resorting to the courts. I know business has been sick, and business has undoubtedly been in a large measure to blame for its illness, but instead of sending for a doctor who could prescribe a remedy that would give practical and permanent relief, the Government sent for lawyers and you know the result.

A wrong feeling has existed in this country as to the proper relations between Government and business. Even when I went to Washington I had the feeling that business men did not want to cooperate with the Government, but I learned very quickly that they are all eager to cooperate and willing to do everything in their power that the Government desires.

We are talking a great deal these days about mobilizing our industries and cooperating for industrial preparedness. We have been floundering about for many years with no definite plan; in fact, the first step has hardly been taken toward solving our industrial problems and toward attaining the result which we all know is absolutely necessary. Cooperation requires the interest and good will of both sides. Business men are anxious to cooperate with our Government. It is now the duty of the Government to lend its active constructive aid, and it is the earnest desire of the Federal Trade Commission to do everything in its power to help foster American industries.

FEDERAL TRADE COMMISSION AND DEFINITE STEPS FORWARD.

The Federal Trade Commission is endeavoring to-day to work out a comprehensive, constructive solution of our business problems. We have taken definite steps toward getting at the real facts of industry from manufacturers. Within a few months we hope to be able to give manufacturers first-hand information about their business. I am satisfied from this investigation that the business men of the country are anxious and willing to cooperate with the commission. I know it. We are in receipt of thousands of letters expressing their appreciation of our efforts. In preparing this report on industries we have sent out many thousands of forms and the percentage of firms objecting to filling them out is almost negligible. This in itself is evidence of their willingness to do their part and assures us of a basis of fact upon which we can cooperate.

PRESENT ATTITUDE OF DEPARTMENT OF JUSTICE.

The Chamber of Commerce of the United States has a Federal trade committee, of which Mr. Harry A. Wheeler, of Chicago, is chairman. Last autumn the Attorney General of the United States, after a number of conferences with this committee, issued a statement defining the attitude of the Government in antitrust cases which has been reassuring to business men and dispelled some uncertainty which had been said to exist. He stated that no court proceeding is ever instituted by the Department of Justice until after

a most exhaustive investigation in the course of which the parties complained against are given full opportunity to be heard. He stated further in substance that in admittedly doubtful cases, where the parties acted in good faith, no criminal action at all would be brought, and that even no civil proceeding would be started without first giving the parties an opportunity to abandon the course of conduct, regarded by the department as illegal.

TRADE ASSOCIATION—MACHINERY OF COOPERATION.

Cooperation is the watchword of the era upon which we are entering—cooperation between employer and employee, among business men, and between Government and business. Trade associations and similar organizations are perhaps the chief media through which this cooperation can be made effective. Their field of activity should be extended and their work made more efficient.

There are about 6,500 commercial, industrial, and trading organizations in this country. These include 2,500 chambers of commerce, commercial clubs, boards of trade, and similar promotive business organizations; 1,000 manufacturing and mercantile associations of a general character, comprising business concerns in a number of different industries, such as State manufacturers' associations, credit associations, etc., and about 3,000 trade associations—groups of business men in particular manufacturing, mining, or mercantile industries.

The commercial club, the board of trade, the chamber of commerce attempt to bring together business men of all lines for the many kinds of cooperative endeavor so necessary for the progress of a business community. The general manufacturers' and merchants' association fills a similar need for the broad manufacturing or mercantile field, while trade associations consist of concerns in particular industries and include manufacturing, mercantile, and producing associations, national and even international associations.

BETTERING BUSINESS METHODS.

The activities of all of these business organizations are manifold, and the business done by their members runs into the billions. These groups of associated business men are putting forth special efforts to improve systems of cost accounting, bettering their processes of manufacture, standardizing their output, obtaining credit information, and endeavoring to advance the welfare of their employees, and are bound to be most important factors in our country's development in the course of the next few years.

Special commendation should be given to associations that are endeavoring to build up industry in these constructive ways. Successful production and successful merchandising require many steps in the process of changing the form of the raw materials and putting the product on the market at a figure adequate to cover the cost of production and the cost of selling and net some profit to the producer without charging the consumer an excessive price; and neither the individual manufacturer nor the Government alone can work out so successfully the many serious economic and business problems involved as can a group of associated producers laboring together in

cooperation. These associations, when conducted intelligently and rationally, with the thought of bringing about improved business conditions, will make it possible for our industries to compete in price and quality in the markets of the world.

BETTERING CONDITIONS OF LABOR.

The question of giving to our workmen continuous employment so that they may average longer periods of prosperity can be solved and other plans for their welfare can be worked out through trade associations. As we have grown in manufacturing capacity we have come to realize that our employees are one of the most important parts of a successful establishment. That management is successful which is not only efficient in working out economies in production, but which also has the real interests of its employees at heart and which is anxious to have as many of its employees stockholders as possible, and which also realizes that without the hearty cooperation and enthusiasm of their men the best results can not be obtained. Many corporations and firms, particularly those in the iron and steel industry, are now raising salaries and wages without the request from their employees. These benefits are commendable and should be supplemented by movements for the general welfare, planned and put into effect by our trade associations.

TRADE ASSOCIATIONS AND GOVERNMENT.

Business and Government can cooperate through trade associations better than in any other way. The Federal Trade Commission's report on industries will furnish associations with facts and figures, not now available, which will enable them to assist in developing and stabilizing their industries. We talk much nowadays about industrial preparedness and the mobilizing of our industries in case of war. This can be accomplished through trade associations more quickly than in any other way. In the countries of Europe these associations, in cooperation with the Governments, have been important factors in improving the industrial conditions, and particularly in extending foreign trade.

There should be a greater degree of organization and of mutual helpfulness in all lines of trade and industry, so that American business may be welded into a commercial and industrial whole, the part of the Government being to cooperate with business men, on request, to bring about the results that will benefit business and hence promote our national welfare.

VIEWS OF PRESIDENT WILSON.

President Wilson's views on trade associations may be of particular interest to you. In a letter addressed to me under date of May 12, 1916, he says in part:

Your suggestion that trade associations, associations of retail and wholesale merchants, commercial clubs, boards of trade, manufacturers' associations, credit associations, and other similar organizations should be encouraged in every feasible way by the Government seems to me a very wise one. To furnish them with data and comprehensive information in order that they may

more easily accomplish the result that they are organized for is a proper and useful Government function. These associations, when organized for the purpose of improving conditions in their particular industry, such as unifying cost accounting and bookkeeping methods, should meet with the approval of every man interested in the business progress of the country.

A MODEL ASSOCIATION.

I regard the American Iron and Steel Institute in many respects as a model trade association. For practically half a century this institute and its predecessor, the American Iron and Steel Association, have worked for the betterment of your industry. This institute's committee on welfare work has assisted in improving the conditions of your workmen. Its committee on improvement in methods has been a great factor in promoting the technical advance of your industry. Its committee on foreign relations has given you a broad, comprehensive view of foreign trade. Its Year Book and statistical reports, nowhere surpassed for completeness and accuracy, have kept you informed on the technical and industrial development of your industry. In short, it has been the organization through which you have cooperated for your mutual improvement, and I know that it will continue a powerful factor in the further progress of your great industry.

STANDARDIZING PRODUCTS AND PROCESSES.

The standardization of products and processes has been extensively developed in the iron and steel industry, both in Europe and in this country. Standard specifications for structural and boiler steel, steel rails, concrete reinforcement bars, etc., have been agreed upon. Your institute has done excellent work in this direction, and of itself and in cooperation with engineering societies and industrial experts I know it will do much more.

Economy in production and continuity of operation are both served by judicious standardization. Better materials and more efficient workmanship are made possible by it. It reduces costs. The consuming public also shares the benefit by not having to pay for a wide and unnecessary variety of products and materials. As standardization has been one of the results of cooperation in the past, it should continue to be one of the ends of cooperation in the future.

UNIFORMITY IN ACCOUNTING METHODS.

The subject of more uniformity in cost finding is at present receiving the careful attention of many manufacturers and trade associations. A number of trade associations are in this way achieving marked success in strengthening their industries. It is being demonstrated that a knowledge of cost determined by a uniform practice can improve trade conditions to a remarkable degree. By a uniform practice I mean a common classification of costs, both manufacturing and selling, a uniform method of distributing overhead expense, and a uniform method of providing for depreciation with rates more or less standardized. Where this condition exists, production statistics which are comparable and which will inform and guide the whole industry are obtainable. Manufacturers can then

talk the same language and will be in a position to profit by each others' experience, to conduct their plants more efficiently, and to establish prices more intelligently.

ACCOUNTING IN IRON AND STEEL INDUSTRY.

The excellent financial condition which the iron and steel industry is in to-day is due in a marked degree to the attention iron and steel manufacturers have given to the important questions of business policy. Perhaps foremost among these is the importance of knowing definitely your true costs of manufacture and of distribution. I doubt if there is another industry in the United States where conditions in this respect are as satisfactory; where the destinies of the industry have been so wisely safeguarded by adequate provisions for exhaustion of capital, both of plant and natural resources; and where so much attention has been paid to a study of operating conditions for the purpose of increasing efficiency and of lowering costs.

It is gratifying to know that practically all iron and steel manufacturers are recording and classifying their costs on a substantially uniform basis, are distributing their overhead expense by the same methods, and are adequately providing for depreciation and exhaustion.

A preliminary study of industry generally, made by the Federal Trade Commission, has revealed the fact that only a very small percentage of the manufacturers of the country make any charge for depreciation of plant or of equipment, and that their products were priced and their profits determined before reckoning this vital and important item. A manufacturer who figures his profits without adequately providing for depreciation, and who pays dividends on that basis, is paying dividends out of capital and not out of profits.

EXAMPLE OF DANGERS OF LACK OF ADEQUATE ACCOUNTING METHODS.

Take two manufacturers, say, Jones and Brown. They are in the same line of business and bank with the same banker. Jones keeps an accurate cost-accounting system, charges off liberally for depreciation on his buildings, machinery, etc. He charges his jigs, tools, dies, and patterns against the cost of operation every month or at least every quarter. His overhead is distributed equally and fairly. He quotes a fair price on his product and his customers recognize that they are getting value received. He has a large bank account and is considered a conservative and substantial business man. Brown, his competitor, on the contrary, does not keep a cost-accounting system; does not charge off the depreciation, except a small amount at the end of each year. Brown maintains that his buildings and machinery are as good as they were 20 years ago. He charges his jigs, tools, dies, and patterns to capital account and considers them valuable assets. He figures that he has been quite liberal when charging off 10 per cent for depreciation on these items at the end of the year. He is a heavy borrower at the bank, and the banker is probably loaning him money that Jones, his competitor, has on deposit. This furnishes Brown working capital—to do what? To continue to run his business in a slipshod, slovenly manner, to cut prices, and to ruin the industry in which they are both engaged.

Ignorant competition is most dangerous to the development and success of our country. The Clayton Act and the Federal Trade Commission Act have no control over this menace. It is estimated that 90 per cent of the manufacturers and merchants in Germany know absolutely what their goods cost to manufacture and sell. If you compare our figures, which show, according to estimates, that only 10 per cent of our manufacturers and merchants know what it costs to manufacture and sell their products, you have the answer as to why Germany has been so successful in developing such a high standard of efficiency in manufacturing and distributing products, not only in Germany but in the markets of the world.

It is a fact well understood among business men that the general demoralization in a large number of industries has been caused by firms who cut prices, not knowing what their goods actually cost to manufacture; the cost of selling, also, which is equally important, is almost wholly lost sight of. Are the officers of the companies who are cutting prices right and left, irrespective of their costs, fair to their customers, stockholders, or competitors?

Quality and service are becoming greater factors in the field of merchandising. Long after the price of a product is forgotten the quality of that product is remembered.

The fact that your steel manufacturers know definitely your costs and whether or not a given price is profitable has enabled you to escape many of the pitfalls of manufacturers of other lines. Adequate and reliable information about your business has saved your industry a great deal of the unintelligent and destructive competition that arises in lines where manufacturers do not know their true costs of production and where many of them price their products arbitrarily.

ACCOUNTING ESSENTIAL TO PROGRESS.

Government has complained about business. Business men have complained of the attitude of the Government toward business. Whatever justification there may have been in the past for such complaints, to-day there is a better understanding between Government and business. Since better business methods usually begin with better methods of cost accounting, scientific cost keeping becomes in a very definite sense the basis of our prosperity. The Government, through the Federal Trade Commission, by recommending the subject of costs to the business men of the country at this time, and offering to aid in the actual development of proper cost systems, is endeavoring to do a constructive piece of work which is of the greatest importance. The problems of credit and finance, of foreign trade and unfair methods of competition, and of labor and capital—all will begin to solve themselves once the subject of costs receives on every hand the attention it rightly deserves.

BENEFITS TO THE PUBLIC.

So rapid has been the expansion of American business during the last year that the public are unable to realize the vast advantage it will be to the Nation as a whole. This business expansion is placing the United States in the forefront among exporting nations and giving it a control of the financing and producing forces of the world

which other nations have spent many decades in building up. This prosperity is an advantage not merely to those businesses which are benefiting directly, but to the great masses of the American people who are employed in these industries or who benefit indirectly by everything which increases national prosperity. Do we realize the importance of our position? Are we doing all that we should to increase efficiency in production, to standardize our products and processes, and to perfect our selling organizations?

FOREIGN COMMERCE SHOULD BE RECIPROCAL.

I need hardly point out that commerce, if it is to be permanent, must include buying as well as selling. It must be reciprocal. We must be prepared to purchase raw and finished materials from the countries we sell to. With the growth of our export trade must go the growth of our imports. Ships which leave our ports laden with our manufactured goods should return with full cargoes of the products of the countries with which we trade. In the very nature of things our trade expansion has for its complement the trade expansion of those peoples to whom we sell.

FOREIGN TRADE OPPORTUNITIES.

The present European war has given us an unprecedented opportunity for developing our export trade. When peace is again restored we will, for a while at least, be the leading export nation of the world; whether we retain this supremacy will depend largely upon the efficiency of our merchandising and industrial organization and the cooperation of our Government with business. These opportunities for trade exist in Latin America, in the Orient, in Russia, and elsewhere. Let me particularly mention the opportunities to be found in Russia. Russia exports hides and skins, carpet wools, vegetable fiber, and makes a specialty of exporting flax, furs, and licorice root. At the present time our leading exports to Russia are agricultural implements, raw cotton, machinery, locomotives, cars, and copper.

The present war and many reforms, such as the abolition of the sale of vodka, have proven of great financial benefit to the Russian people as a whole, of which there are 170,000,000. Even a slight increase in the consuming power of this large population will mean in the aggregate a vast increase in trade opportunities.

Before the war 30 per cent of the products purchased by Russia from the United States and 20 per cent of the products purchased by the United States from Russia were handled through German commission houses in Berlin. We now have an opportunity to increase our trade. Buying and selling direct with Russia will save commissions, reduce the costs, and bring the business men of Russia and the United States in closer contact. American business has no greater trade opportunity to-day than the one presented by the Russian Empire.

AFTER THE WAR, WHAT?

We frequently hear about how the trade of the different countries is going to be regulated after the war. There is no question but that

many new economic conditions will be presented not only by the nations at war but by our own and other neutral countries.

After the war England, France, Russia, Italy, Belgium, and their dependencies will without a doubt form a cooperative trade compact whereby they will agree to purchase from and sell to each other every possible commodity manufactured or produced by them. This will be for the purpose of protecting their manufactured products and their natural resources and to coordinate their shipping and financial interests.

England in the past developed a large foreign trade through financing foreign enterprises, and for many years the business men of that country obtained their orders through London bankers. This required little, if any, trading or merchandising skill on the part of these manufacturers and merchants to secure business.

EFFICIENCY IN SELLING ORGANIZATIONS.

On account of the advantages which the investment of English capital in foreign countries gave to English business men they did not develop a well-organized selling force. When Germany went after foreign trade about 25 years ago England felt that because of her great financial strength her business men were secure. You know what happened.

The German manufacturers and merchants, realizing that to be efficient they must run their factories to the maximum, which means every day in the year, and realizing that they could not sell in the home markets all the products which they could produce, started after the foreign trade which England had controlled for so many years. Aided by the German Government, they put salesmen in the field in almost every country in the world, and in a few years they were considered the only rivals of England. This was all brought about by thorough and efficient manufacturing and selling organizations.

COOPERATIVE SELLING AGENCY IN FOREIGN TRADE.

Nowhere is cooperation among business men, and between them and government, more essential than in the development of our foreign trade. The success of our European competitors is evidence enough of this. We have reached the point where under normal conditions we must have foreign markets for our surplus manufactured products. The American people, including every day laborer, every clerk, every mechanic, every farmer, and every business man, large and small, is heartily in favor of Congress removing the doubt which now exists in the interpretation of the antitrust laws when applied to organizations cooperating to further our export trade. Such relief will make it possible for us to obtain our share of foreign business, so that our factories may run continuously and keep our workmen permanently employed.

Competition is the same the world over, and it will be particularly keen when the business of peace is resumed among the nations. America's chance at the trade of the world will be helped beyond what it was before by reason of a new, even start with the others in the race, but we must be prepared to match systematized industry

against the effective systematized industries of our competitors. We must meet conditions as they exist.

If our business men are to be factors in the world's markets they must receive encouragement to do as our foreign rivals are doing, and the Federal Trade Commission has recommended to Congress that a bill be passed giving the American manufacturer the legal right to form cooperating selling agency in export trade.

The Federal Trade Commission does not believe that Congress intended by the antitrust laws to prevent Americans from cooperating in export trade for the purpose of competing effectively with foreigners, where such cooperation does not restrain trade within the United States, and where no attempt is made to hinder American competitors from securing their due share of the trade. It is not reasonable to suppose that Congress meant to obstruct the development of our foreign commerce by forbidding the use, in export trade, of methods of organization which do not operate to the prejudice of the American public, are lawful in the countries where the trade is to be carried on, and are necessary if Americans are to meet competitors there on equal terms.

By its investigation the commission, however, has established the fact that doubt as to the application of the antitrust laws to export trade now prevents concerted action by American business men in export trade, even among producers of noncompeting goods. In view of this fact and of the conviction that cooperation should be encouraged in export trade among competitors, as well as noncompetitors, the commission recommended the enactment of declaratory and permissive legislation to remove this doubt.

We feel that we would fail of our duty if he did not urge the pressing need of such action immediately. If American business men are to make the most of the great opportunities now before them, are to build securely in foreign trade, and are to avoid disaster in the shock of the stern and determined competition that will doubtless follow the war, they must at once perfect the organization demanded by the conditions of international trade.

NATIONAL COMPETITION.

Competition in foreign markets is national. Foreign countries such as England, Germany, and France present in markets like those of Latin America a united front. One does not hear of the competition of individual concerns, but, for example, of German competition and English competition. Each country pools its governmental and commercial forces and goes forward into foreign markets in a united effort to capture those markets against the business forces of other countries. Competition from our foreign rivals must therefore be met by bringing together in a cooperative way our national forces—governmental, industrial, financial, and commercial. American manufacturers must cease to think selfishly or even provincially; they must think nationally and internationally. If we are to be factors in the world's markets our vision must be broadened; we must cease to think merely of local conditions. United, then, in the spirit of cooperation and with the support of our Government, there is every reason to believe that we will succeed against all comers in the great markets of the world.