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No. 1

THE FEDERAL TRADE COMMISSION

and

FREE ENTERPRISE

Reports of

JOHN J. CARSON, COMMISSIONER

Before the

1950 Annual Meeting

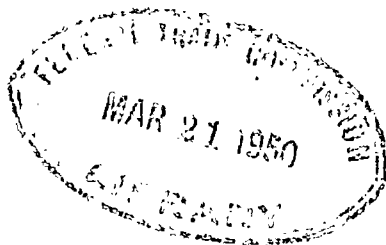
of the

Mutual Service Life
Mutual Service Fire
Mutual Service Casualty
Insurance Companies

St. Paul, Minnesota,

Lowry Hotel, 8 P.M.

March 21, 1950.



THE FEDERAL TRADE COMMISSION

and

FREE ENTERPRISE.

I am here tonight to present to you, and to all other good citizens who are sincerely interested in the preservation of free enterprise, the most important gift I can conceive of to accomplish your purpose. And I would emphasize that the preservation of bona-fide free enterprise is a sacred cause.

I give to you, and to all others who cherish freedom and free enterprise, the Federal Trade Commission.

If you will assume your responsibility and your obligation as citizens and use this gift in the public interest and for the common good, you will possess the most effective agency in Government today to assist you in preserving free enterprise. And before I conclude tonight, I hope to suggest to you some methods through which you might cooperate with the Commission in serving the common good. The doors of the Commission stand open and beckon to you just as they stand open to all good citizens and all groups

of citizens who are interested in free enterprize.
We want your cooperation.

You good people know, I am sure, how happy I am to be here tonight. I like to think of you, and of all the people of this great region, the people of Michigan and Minnesota and Wisconsin, as my people. You have opened your hearts and your homes to me every time I have been your guest. You have helped me in every fight I have had to make. I am grateful for your friendship. I am proud to be associated with you.

Not so long ago, our mutual friend, Monsignor M. M. Coady, of Antigonish, Nova Scotia, was talking about his people of the Maritime Provinces of Canada. We had been sketching on the great canvas of the world what we thought were the significant influences of our day. We turned to the Scandinavian countries and drew the picture of that bastion of freedom -- the wonderful Scandinavian countries -- and gloried in their staunch defense against the tyranny of Communism. Monsignor Coady talked about his beloved Maritime Provinces, which are, I think, to this hemisphere what the Scandinavian countries are to Europe and Asia.

He had just returned from this region. He was still enjoying the memories of the days and nights he had spent with you. So he turned, naturally, to talk about you.

"Every great movement of people towards human freedom has come out of the North countries", he said. "Look at the history of the world. Invariably the people from the North countries moved down to advance the cause of freedom. Look, today, at Sweden and Norway and Finland and Denmark. Look at the Maritime Provinces."

How I could differ with Monsignor Coady. I could tell him of leadership which came out of the South countries, in fact, the greatest of all leadership, a leadership which has prevailed for 2,000 years. And Monsignor Coady, a Catholic Priest, would agree readily. But who would stop Monsignor Coady when he is under full head of sail in his stories about you and all of his friends.

I confess to you --- and may I whisper the confession so that Monsignor Coady will not hear it and think that I am growing soft --- I confess to you that as I grow old and as "death tickles my ear", I am

always tempted to turn to the Southlands. I like their warmth and their softness and their song and laughter. I think that our great South will develop rapidly and particularly because of the Tennessee Valley Authority. But, much as I admire my friends from the South, I must turn to you for leadership in these days when the battle to conserve free enterprise has become fraught with evil.

It is well, therefore, that we should talk here in Minnesota about the Federal Trade Commission and Free Enterprise.

That phrase "free enterprise" presents to us the problem of our modern world. Without free enterprise, without a free economy, there can be no freedom. There can be no political freedom. Our economic life and our political life are inseparable. They are the warp and woof which make up the one garment of society which you might call by the name Minnesota, or by the name The United States of America. If we lose bona-fide free enterprise, I fear we shall lose our freedom.

I apologize for burdening you tonight with these thoughts, but only to a friend will you pour out your heart and soul.

I fear it is very late in the halls of democracy and that shadows have become far more foreboding than we think. I burden you because what you do, or do not do, will contribute just that much towards determining the kind of a world in which our children and their children will live. And I am obsessed, if you will have it, obsessed with the desire that our children have a free world in which to live. If we cannot make that contribution to our children, then we will have left to them nothing. We will have failed completely. We will have confessed bankruptcy.

After all, democracy is not so much a state of being, as it is a state of becoming. Likewise freedom is a state of becoming. We can have only that degree of democracy that we achieve through our own effort. Democracy is a living thing. It is of the spirit and not of the flesh. It expresses itself in the desire for self-dependence and self-government; self-government in justice and in charity to our fellowmen.

~~Sometimes~~ Sometimes I am sad and sick unto death when I see my progressive friends surrender, without a struggle, their independence to the temptations of

Government orders and Government controls and Government contributions. I know there are conditions which justify and compel us to find haven within the harbors of Government, but I always pray that it is only temporary haven we seek. There is still much of sound philosophy in the famous phrase of Tom Paine that "Government, like dress, is the badge of lost innocence". I am always fearful that the easiest way will tempt us too much and that once we have surrendered this or that little bit of our character, then we will discover that "little by little and much by much, like a thief in the night", as Jefferson said about the Court, the Government will assume authority and the end of that road will be the loss of all of our freedom. That end is the end we now know as "Fascism", or "Communism", or "Nazism".

These are not mere random thoughts. They are statements of a deep fear that we all fear too little. It is a fear which grows out of long experience in and with the Government machine in Washington. It is a fear that your cooperative organizations, which are committed to the principles of self-government and

self-dependence, sometimes forget their principles, and turn to lean on the Government. It might be well to read some of the stories which were printed in your cooperative papers in London during the last few years, the stories about the cooperative leaders who suddenly realized they had to fight to prevent being swallowed by that government.

Recently the United States Bureau of Standards has been studying the molecules which make up what we know as "petroleum" to determine the sources of power within petroleum. The discovery is interesting. The scientists tell me they have found two elements within the molecules. One element is constantly seeking for security through association, and another element is constantly seeking for greater freedom. That, it seems to me, is the story of our economic life and our political life. Perhaps it is but the story of the unending quarrel between the body and soul, or between the material and the spiritual.

I mention these facts to impress you with my conviction that we accomplish little, and even nothing, through attacking and denouncing this or that man as an evil man. I have no time for that. I am

fearful that if circumstances were to thrust me into the place of him who is denounced, I might be far worse and far more subject to criticism than is my neighbor. When I come to you to appeal for leadership, I come to plead with you to be concerned about conditions and practices and about the evil they may represent.

It should be obvious to all of us that the struggle to preserve bona-fide free enterprise becomes more tense from year to year, and even from month to month. The effort to impair and even to destroy the anti-monopoly laws is revealed. Our newspapers have their stories and their advertisements about "bigness" and the propagandists are always at their job of creating the impression that those who are opposed to monopoly, are only opposed to "bigness". Of course that is not true. I believe the propagandists, themselves, knew it is not true. Bigness is a relative term. The friends of free enterprise are no more opposed to bigness than is a Henry Ford opposed to "smallness". But the big business which becomes "the business-bully" and which uses its power to destroy its competitor and competition and hence destroy free enterprise, is bad. There can be no compromise at that point.

It should be expected, therefore, that the Federal Trade Commission would be attacked. In fact, it is a tribute to the Commission when it is attacked. There have been few years since the Commission was created in 1914 that it has been entirely free from attack. Interestingly enough, the Commission has had peace in those years when it was not disturbing monopoly and the friends of monopoly enterprise.

I am happy to talk with you about the Federal Trade Commission. This is your Commission. When I say "your Commission", I mean it is the Commission of all the people. It is the Commission of the consumer. Every power given to us is given for the purpose of protecting the rights and the interests of the consumer. It is the protector of the small businessman. It protects his right to serve the consumers. It is the protector of the honorable and lawful big businessman. It protects his right to serve the consumer. It is the protector of your cooperative organizations. It protects the rights of the farmer. It protects the rights of the members of organized labor. In short, it is the one and only distinctive consumer agency in Government.

The Federal Trade Commission, your Commission, has a career of glorious accomplishment behind it. It has been effective in some of the most decisive and very important battles against monopoly interests.

I think I know the character of Government organizations in Washington about as well as does anyone in Washington.

I know, out of thirty years of experience, that the rank and file of the men and women in the Federal Trade Commission constitute as fine an organization as will be found in Government. Oh yes, we have in our ranks some who are less concerned and less zealous. But they are relatively few. I challenge any private business organization to prove possession of a greater degree of competency than will be found in this Commission.

Let us look at some of the accomplishments of the Federal Trade Commission.

You would not have a Tennessee Valley Authority today and an electric power yardstick which has saved the consumers of this country billions of dollars, had it not been for the investigation of the electric power industry by the Federal Trade Commission.

I know whereof I speak. I participated in every step of the work which finally resulted in the establishment of TVA. And I am very confident that the great Senator George W. Norris would never have won his fight to establish TVA had it not been for the factual evidence which was developed for him by the Federal Trade Commission.

You would not have the Rural Electrification Administration and your great rural electric cooperatives, had it not been for the work done by Senator George W. Norris. And that work and his success was made possible through the factual evidence developed for him by the Federal Trade Commission.

You have a Security and Exchange Commission in Washington, and through it you have some measure of control over stock market manipulation. I think the Security and Exchange Commission has given us far more protection during the last 12 years of expansion and inflation than we realize. I think it may well be that SEC has saved us from another 1929 --- has at least put off the day of reckoning. And you would not have SEC and you would not have the protection that SEC has given to you were it not for the Federal Trade Commission and its investigation of the electric power industry.

A few decades ago, the Commission laid bare the revolting stories of the meat-packing industry. Congress immediately acted to correct those conditions. I wish the Congress had permitted the Commission to administer the regulatory laws for that industry but in its wisdom the Congress decided to place that authority in the Department of Agriculture.

I think you are going to have a cement industry develop on a strong and sound economic basis in Minnesota and Wisconsin. In other words, this industry is going to be decentralized, as it should have been, long ago. That is already happening and it is happening because of the work of the Commission. The industry has protested, but I think the Commission actually made a great contribution to both the industry and free enterprise. I think that had it not been for the outlawing of the basing point price-fixing schemes in this industry, the State Governments and perhaps the National Government would have assumed more direct authority and perhaps even assumed the authority of complete ownership.

There again, in the cement industry, I think, was the story of the two roads down which business must proceed. The road the industry was treading led, I think, to Government ownership and operation. The road the Commission has compelled the industry to follow is the road of free enterprise.

I could talk with you about false advertising of food and drugs and prove to you, conclusively, that even though the Commission has not achieved a wholly satisfactory condition in that sphere, it has made so much progress that the badges of shame can be laid away forever. I could tell you of the scores of cases involving the rights of business of all kinds, and particularly small business, which the Commission decides each week.

This Federal Trade Commission is your Commission. I ask you to join forces with all good people who are interested in free enterprise and freedom, and come and take possession of your house. I hope you will labor incessantly to become the active allies of all kinds of small business, and that, with the representatives of the farmers and the organizations of wage

earners and of all cooperatives, and all anti-monopolistic big business, you will assume your responsibility to and for this Commission.

Recently, some representatives of the farm organizations came to us and asked us to make a broad investigation of the cost of distributing farm produce. And as I prepared this paper, this very day, I was warned that I would be invited to participate in a conference in Minneapolis on this very subject. The Commission has done much in that field. In fact, the Commission has done the basic and significant work, in my opinion. The Commission has the nucleus of experts and it has the authority to do this job.

But I had to tell your friends that the Commission had only \$80,000 a year to do all the work it does in the general field of economic investigation.

I think it is fair to say there is growing conviction now in the Congress and in all the agencies of Government that we will not begin to attack, successfully, the problems of the farm and of farm surpluses and of farm income until we get a thorough

and comprehensive study made of our farm economy. But when Senators asked me recently why the Commission did not proceed to do this work, and when they pointed to our law and to the obligation we have to advise the Congress on all such matters, I could only tell them that we were limited by total appropriations of only \$80,000 a year for all such investigations. The Administrator for one Senate Committee gasped, and I mean he gasped. He said, and I quote, - "We would not think of launching an investigation into one issue without having an appropriation of at least \$100,000."

There is a story in that situation, and you have every right to know of it. Many good and honest and honorable men are opposed to investigations, and particularly to economic investigations. I respect their opinions, even though I cannot understand men in public life who are not greedy for factual information. I can understand those men who prefer that the American people shall not know the story of basic economic conditions and causes, who are always fearful that the people shall have the truth, because the truth might make them free.

But I think every public official must yearn for factual information, if he would succeed.

Years ago, some twenty or so years ago, the United States Senate or the House of Representatives would adopt a resolution to compel the Commission to investigate and report on some important and specific subject. That was the way in which the famous inquiry into the electric power industry was started. But shortly after that investigation was made, the Congress decided that the Commission could make such investigations in the future only where they were ordered to do so by both Houses of the Congress, and where the Congress also appropriated the money to pay for the investigations. Since then, the Commission's ability to investigate and report on economic problems has been limited to the annual appropriation, and now that means to expenditures of \$80,000.

We are, by law, I think, the economic advisors of the United States Congress.

We are, by our law, compelled to be the eyes and ears of the Congress, insofar as our economy is concerned.

We know that much of the legislation which must be considered by the Congress is intimately related to our economic life --- for example, that this whole broad question of "free enterprise" is an economic question.

But our ability to investigate and advise the Congress is restricted now, in large measure, to annual appropriations of \$60,000 a year. About four weeks ago, the manager of one of your organizations remarked that "we" --- meaning his organization --- "spend more than that on an investigation we make for our own organization."

I had a long distance telephone call the other night from the leader of a national group of small businessmen, who are interested in petroleum. He reminded me that a Congressman had introduced a resolution to investigate the petroleum industry. He asked if the Commission was going to make the investigation, and he said, perhaps significantly, "there are only a few years standing between us and failure --- free enterprise will be over unless something like this investigation is made within the

next few years". I could only tell him that if the Congress authorized us to investigate, we would assume the responsibility. He was amazed when I revealed to him that we could not act until and unless the Congress specifically ordered us to proceed.

I must turn to discussion of things you can do.

Not so long ago, a committee of the representatives of farm and labor and cooperative and small business organizations was organized to advise the House Committee on Small Business. The first recommendation that committee made to Congressman Wright Patman, Chairman of the House Committee, was that the House Committee should investigate the Federal Trade Commission. Some of my friends cried out in alarm, and somewhat in criticism, when Congressman Wright Patman's Committee authorized that the investigation should be made. I did not protest. If there is anything bad or wrong about the Federal Trade Commission, it should be exposed. I told Congressman Patman to pay no attention to any criticism --- to go ahead and make the most searching investigation --- to "expose anything and every-

thing, right and wrong." We know one thing, and know it well --- it will be an honest investigation if Wright Patman has anything to do with it, and that is all that we can ask.

I think your people could support in every way this voluntary committee which has developed around the House Committee on Small Business. Through this committee you could keep a searchlight on the Commission every hour of the day and night --- you could expose everything you thought was contrary to the public interest. I am not afraid of the light. I pray you to turn it on.

Now --- and next ---

The Commission has a Bureau which is now called the Bureau of Trade Practice Conferences. Sometimes it is called the Bureau of Industry Cooperation. The purpose of the Bureau is to induce the industry groups, through voluntary democratic procedure, to approve of rules of fair trade practice.

I think this Bureau offers to bona-fide free enterprise, and particularly to small business, and to cooperatives, and to consumers, an opportunity to develop, through democratic processes, a program of

self-government in the public interest. This Bureau, and the possibilities it offers, appeals to me; as it has throughout the last 25 years.

Until now, the farmer and the wage earner, and the cooperative members, and in fact the small businessmen, have shown little interest in this work. I think that is due to the failure of the Commission to develop this work. But now I come to you and ask you to join with all these other groups and assume leadership to develop this program.

It is a process of voluntary action, in every respect. No one needs to participate. The rules are developed through the help of the industry and its leaders, or they have been until now. No one need to agree to abide by the rules. No one can be prosecuted for violation of the rules. The rules constitute a code of honor, and that is about all. But they are effective.

I am convinced that you businessmen who are determined to maintain bona-fide free enterprise, are offered an opportunity by this Commission, and through this Bureau and its work, such as no one of us, not even those of us who have been interested in

this work, can measure accurately today.

I like to think of the early days of the early Guilds in Europe, the days of three or four centuries ago. I know that the Guilds developed some political and economic diseases which caused them to be discredited, and which caused them to be destroyed. But I still think the basic motivations for the Guilds were good motivations. I insist the basic original motivation was the desire of men to work in good will with and for their fellowmen. Perhaps we can use comparable motivations in developing this work.

Let me dream a moment about what you, who are sincerely interested in free enterprise and a completely free economy and political freedom, might be able to do. I think of proposals for rules in three industries. They are now before this Bureau. I think you are interested in each of those industries; that you have organizations operating in those fields.

Is there anything unsound or unfair or bad in suggesting to you small businessmen, and you cooperative members, and you wage earners, and you farmers, that you might come to this Bureau with a code of honor

which would become a challenge to all competitors. We talk much about "yardsticks", and the thought is inspiring, as we look at the yardstick of TVA, which has saved our people billions of dollars, and given them untold service. We talk of yardsticks when we think of the Rural Electric cooperatives. But here and now I am asking you to think of a yardstick of service --- a yardstick of business practices through which you would say to all the world - "this is what we believe, this is our code of honor, this is the code of which we shall be proud."

When I call for leadership, I add that I call for such service to the public interest and the common good as I am now suggesting. And democracy must have that kind of leadership, if it would survive. As democracy is a living thing, as it is a process of becoming, it must depend upon the leadership of those who are determined to struggle to make this a better world.

After all, the law --- any law --- is only the very minimum of obligations for men who have great regard for the welfare of democracy. The law

is something we are compelled to honor and obey. But the men who are interested in democracy must be interested, always, in advancing to develop the opportunities for self-government. They must be interested, always, in contributing more to the public interest and the common good than the law compels them to contribute. Leadership in a democracy calls for just that. It calls for the sublimation of the citizen through the subjugation of self.

I know that your organizations are interested in what we know as "the insurance business". I know that I should have talked with you about your business, so that I might have learned where we might serve you. But, let us look for a moment at the "insurance business".

The insurance business was once only a service, by the way, a cooperative service, of neighbors to protect and insure one another. It became a business when it developed its plan for ownership of reserves which it had to invest. We must now think of it as an investment business, because its problems and burdens are related to its business of investment.

The Federal Trade Commission has very little authority in the regulation of the insurance business, as of today. A few years ago, the United States Congress was induced by the insurance companies to place in the State Governments almost complete regulatory control over the insurance business. The only authority left with the Federal Trade Commission is authority to check to determine whether the States have provided for effective anti-monopoly regulation of the industry.

I might tell you that two of my very good friends who are high officials in the insurance business, and who are men of great vision, think that the welfare of this business is dependent upon the development of some form of regulation and control by the national government. Because the business is an investment business, and because investments cannot be restrained by State boundaries, I think my friends have vision and that they are endeavoring to insure a minimum of Government control and a maximum of free enterprise within this industry. Perhaps I am wrong --- but we shall see. I can only assure you now that until the Congress directs us to assume

responsibility and authority in this field, we shall stay out of it. We shall do only that which the law directs us to do, as of the present, and that is very little.

The insurance business has a tremendous responsibility to the public interest today. I think it might well be that the responsibility centered in this industry is greater than in almost any one other industry --- except perhaps the industry of food production and distribution. The insurance companies control, in large degree, the credit arteries of our commerce --- yes, they exert a tremendous influence on the credit policies of our Government.

You are a part of that industry. I know you will say, in all modesty, that you constitute a very small part of the total industry, but I know something of your accomplishments, and know how rapidly your responsibility is growing. You and I know there is no place for you in this industry if you are "only just another insurance company". You are owned by the consumers of insurance --- and that is a great

honor and a great privilege. It can be the saving grace for your companies, if you will continue to honor it, and I know that you will.

If I were one of your member owners, I would want to insist on assuming my individual responsibility to all my neighbors associated in the enterprise, and assume it by being ever alert to make certain that we should always recognize our first obligation --- to serve the common good as an insurance company. I would not be so much concerned with the volume of dollars. I would be concerned greatly as to where those dollars were put to work. Yes --- I know of all the regulatory restrictions put upon the use of the reserve dollars, and I know those laws must be obeyed. But the opportunity exists, and will exist, and exist entirely within the law, to make those dollars serve the common good.

That might be the yardstick through which you might do much to save the insurance business from complete Government control, or from Government ownership. Some men, men who are abler than I, may not object to thought of Government ownership.

They may not fear it. But I must fear the day when a political Government would get complete authority over our credit resources, and our credit machinery.

I need not tell you the stories told by insurance statistics. But, perhaps, I might point to just two or three sets of figures to point up this responsibility. I am thinking of growth within the industry.

In 1923, just twenty-five years ago, the total premiums paid for all lines of casualty insurance was only \$632,318,443, or about two-thirds of a billion dollars.

In 1948, these premiums totaled \$3,733,277,453, an increase of almost 500 per cent. The premiums paid for automobile insurance increased, as I recall, by about 2,000 per cent in these twenty-five years.

In 1930, our life insurance companies had contracted to pay \$106,412,506,000 to their policyholders.

In 1948, this amount had increased to \$202,000,000,000 - more than 200 billions of dollars - an increase of just about 100 per cent in 18 years.

In 1948, 78 millions of our people owned a life insurance policy. That was nearly 8 times the number of people who owned insurance policies in 1900.

Let me throw at you one other statistic with which old E. R. Bowen would like to play.

In 1930, the life insurance companies had only about one billion, three hundred millions of dollars invested in Government securities. That constituted only about 3 per cent of their investments.

In 1948, these companies had approximately \$19,000,000,000, invested in Government securities, and that constituted about 34 per cent of their total investments. These investments, which secure, in large degree, your insurance policies, constitute a tremendous influence in affairs of Government.

When one life insurance company has more than nine billions of dollars of assets, and four have more than 25 billions of dollars of assets, tremendous financial authority and responsibility is concentrated in a very few hands --- in fact, in the hands of very few people.

Perhaps there is no cause for concern, and that all is well in that situation. I am incompetent to appraise it and have any satisfaction in my appraisal. It has become a bit too big for my small mind to encompass. But I am pointing to the responsibility you have, even though you will contend that your business is still a very small part of the whole. I do not think you are a small part of this industry. You may be in dollar volumes, in number of persons served. But you have a peculiarly strong position of member-ownership and member-participation through which your influence far exceeds the material boundaries fixed by your balance sheets.

I wish you would write your name and your pledge of service high on the walls of the Federal Trade Commission.

I wish you would be a yardstick of service to the public interest and the common good.

I know that hundreds of your member-owners would welcome an opportunity to help you draft a pledge of service to the public interest, and the common good, which you might post beneath your emblem.

Free enterprise is being impaired. To the extent that free enterprise is in peril, then democracy is in peril, all freedoms are in peril.

We will not justify our opportunities to serve the cause of free enterprise and democracy unless we assume our obligations to protect and to advance these opportunities for others.

The Federal Trade Commission is your agency of Government to join with you in promoting the welfare of free enterprise. We ask for your confidence. We ask for your assistance. We pledge to you our loyalty to the cause of free enterprise and democracy.

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