

FOR RELEASE UPON DELIVERY

AN ADDRESS

BY

HONORABLE TOM C. CLARK

ATTORNEY GENERAL

OF THE

UNITED STATES

As Read By

DOUGLAS W. MCGREGOR

THE ASSISTANT TO THE

ATTORNEY GENERAL

Before The

NATIONAL ASSOCIATION

OF MANUFACTURERS

51st ANNUAL CONGRESS
OF AMERICAN INDUSTRY

HOTEL WALDORF-ASTORIA

NEW YORK, NEW YORK

9:30 A. M.

THURSDAY, DECEMBER 5, 1946

Mr. Chairman:

I am convinced that the ultimate welfare and security of our people depends upon the pioneering spirit of our industries.

Therefore I appreciate deeply this opportunity to address this gathering of American business men. You and your Association -- as Americans and as men -- have a real rendezvous with destiny in these times.

They have talked in the past about times which stir the hearts of men.

These times stir our hearts - our minds - all of our ingenuity and that latent fire which we call patriotism.

Industry has become our shield in war and our design for living in peace.

You are wrapped in the skein of American history.

A few nights ago I was studying some of the background of management and labor.

This was in connection with the coal litigation now before the Court of the District of Columbia and with which you are familiar.

I ran across some history of your organization, in which the Association was in 1907 engaging in a tariff debate -- a most important issue then before the country.

It is recorded by your Secretary of that date that "fully 40 per cent of the membership of the National Association of Manufacturers were heartily in favor of tariff reduction."

At that time such a position was tantamount to business treason.

It took much of personal courage for that 40 per cent to buck the 60 per cent and to go all out for tariff reduction.

But they were exhibiting the old-fashioned American characteristic of thinking for themselves.

(Over)

They knew the Wall Street adage that "A Bull can win and so can a Bear, but a hog always loses."

At that time great changes had taken place in the American scene -- a vast upheaval all the way from the end of the Civil War:

The forces which brought about this revolution were not in the realm of politics, but in business.

The Goliaths of business, Rockefeller, Carnegie, Vanderbilt, Gould, Armour, and others, were riding the crest of opportunity and were blue-printing the future of the nation from their baronies of steel, oil and finance.

In a few decades their holdings were scattered over the land.

The iron bands of their railroads bound the industrial life of the nation with inflexible strength and carried their goods everywhere in the country.

Overseas, in the markets of Europe and Asia, began to appear goods bearing tags setting forth some fateful messages for the world trade: "Made in Philadelphia" -- "Boston Made" -- or "From the Mills of Chicago."

The flow of goods was at first a small trickle -- almost an affront to the power and pride of Manchester and Leeds -- of Lyon and Frankfort.

But the goods were found to have honest value in them; and, too, they embodied true American ingenuity.

The outlook for the future was made bright by the industrial revolution -- but this industrial development must be keyed to social needs.

Ah! - that was the rub!

Only a few were reaping the great benefit of this vast movement into world markets.

Some thousands were sharing the wealth, and thus lived from the rich men's table.

But millions were engaged in producing the wealth and were barely gaining living wages.

The measure of success in this "Gilded Age" was only in the number of dollars a man could amass.

Politics had become the handmaiden of big business.

Corruption was rife in the body politic.

The moral crusade that brought the antislavery amendments had been supplanted by a game of "multiplication, division and silence," not only among politicians but among public officials and business leaders.

Then came Theodore Roosevelt.

On February 19, 1902, Attorney General Knox announced he was filing a complaint under the Sherman Act to dissolve the Northern Securities Company.

This company was born the year before in the struggle of Hill, Harriman, Morgan, Rockefeller and Kuhn-Loeb to control the railroad network from Chicago to Seattle.

The fight ended in a draw, so the contestants very politely organized the Northern Securities Company, with a capital of some Four Hundred Million Dollars, and divided the stock among them,

Nice going, they figured -- until the Attorney General showed up.

The ticker tapes sang out a sad story of Senator Sherman's law of 1890.

It had been filed away, except when it was occasionally used against labor unions.

(Over)

- 4 -

U.S. Steel's billion dollar empire, likewise formed in 1901, was in for attack -- which resulted some years later in the famous case of U.S. v. U.S. Steel Corporation.

A series of consolidations and amalgamations followed.

In 1904 Roosevelt declared that no free people could tolerate the "power conferred by vast wealth."

The Government must be endowed, he said, with "a still higher power" in the interest of the people.

If the courts ruled against national regulation an amendment to the Constitution was necessary, he insisted.

His fight was successful in the courts, but little was accomplished to break up the control the trusts had acquired by 1904 over 40 percent of the manufacturing capital in the United States.

Even the stock market crash of 1903 did not destroy this strangle hold; but it, together with the depression of 1907, placed a temporary brake on further combinations and consolidations.

By 1909, 200 corporations owned one-third of the non-financial institutions of the country.

In the Taft Administration, the Sherman Act was again put on the shelf.

World War I prevented its wide use in the Wilson Administration.

The postwar period of the twenties again saw consolidations and amalgamations.

The War was another great stimulus to business.

Business men were eyeing each other with a view to getting bigger and better business deals under way by bigger and better amalgamations.

The trend, despite public feeling that the big trusts had been broken, was still toward advantages for the big fellows.

In 1909 the large manufacturers had on their payrolls some 15 percent of all employees in manufacturing industries.

In 1919 this number had almost doubled.

Merger after merger was put through until the crash of 1929.

The reports of the TNEC show that 45 companies owned 92 percent of the transportation facilities of the nation; 40 utility concerns owned 80 percent of the facilities; 20 banks held 27 percent of the total loans; 17 life insurance companies carried 81.5 percent of all life insurance assets.

Again, in 1939, small business (firms employing 500 or less) accounted for 52 percent of total manufacturing employment.

In 1944 this figure had declined to 38 percent.

Did you know that in 1944 firms employing over 10,000 employees accounted for over 30 percent of total employment in the nation?

Over a half million small businesses disappeared entirely during the war.

As for them, the atomic bomb itself could not have been more destructive.

From June, 1940, through September, 1944, the Government awarded \$175 billions of contracts to 18,539 firms - AND HERE IS THE IMPORTANT PART - two-thirds of this stupendous total went to the 100 largest firms; in fact, almost one-half of the value of the contracts went to the 30 top corporations.

The top five received more than one-fifth of the total.

One alone copped \$14 billions, approximately 8 percent of all contracts during the war period.

If we consider facilities for manufacture, the total in the nation was about \$40 billion; of this amount 250 corporations owned about \$25.9 billions.

The war added about \$26 billion, with the Government advancing about \$18 billion of this amount.

(Over)

These same 250 concerns operated for the Government \$8.9 billion of Federally-financed projects which are earmarked as usable in the postwar period.

Take the financial aspects of our present economy.

Run down the list of these 250 giants and you find that 30 of the largest ones, which control almost one-third of the nation's manufacturing facilities, are dominated or controlled by five banking groups.

Each one of those banking groups heads up in New York, except one. It is in Cleveland.

As I see it, our progress is the sum of the progress of the individuals that make up our society.

When individual progress is retarded, national progress is prevented.

We either walk forward -- fall back -- or take root in proportion to the advancement, retreat, or indolence of the sum total of individuals making up our country.

Character building, like production, is done by piecework.

Freedom of opportunity is the great American heritage.

Every man has the right to start his own business -- put his ideas and his money together.

He is limited only by his industry, his imagination, and his daring.

But he is entitled to know that the "dice are not loaded" -- that his competitors will not be permitted to combine to destroy him; that the free market we speak so much about is not rigged against him.

This is deep-rooted American tradition.

It is not politics -- it is far above that -- it is the American way of life.

Free enterprise has no party affiliations nor does it have any party affinities.

It is bi-partisan.

Business now has its freedom from controls.

These war-time controls were necessary for the gearing of our economy into total war production.

They were troublesome not only to government but to you as business man and to the individual citizen.

Upon the removal of these controls, your responsibility increases.

You -- business -- must not substitute selfish controls for legislative control.

There are some people who would scuttle our way of life.

They cry the loudest for free enterprise and opportunity.

What they want is freedom for their own activities; freedom to destroy not only their competitors but our democracy.

They want freedom for guaranteed profits and safe markets; freedom from competition; freedom to be "the hogs" of monopoly; freedom to fix prices; freedom to control production, patents, labor; freedom to divide markets; freedom to carry a business blackjack in a community where all others go unarmed.

These are not freedoms at all.

They are industry licenses.

Now, mind you, they are not backed by any law -- nor are they issued by any arm of government created by the Congress. No ---

They are issued by an industry to those who dominate it.

In the foreign field we call them "cartels".

(Over)

The diplomacy of dollars.

Treaties never passed upon by the Senate of the United States but more enforceable than those that are,

They spell life and death to industry — life to those lucky enough to be signatories; death to those not strong enough to inscribe.

In the domestic field they are monopolies.

It is your responsibility to help prevent this destruction of the American way of business.

If you fail to assume that responsibility fully and discharge it, you will force upon the American people a lower standard of living — you will pave the way for additional failure in the workings of democracy.

Free enterprise fosters, encourages, protects a free democracy.

As Walter Lippman has said, "The system of free enterprise has never meant, except to those who ignorantly or for selfish reasons misunderstood it, a general license to private interests in the presence of a helpless national government. This view is . . . but a kind of nihilism . . . It is necessary to have strong government and firm laws and a continual and progressive program of public action to establish a free economy and make it work."

This does not mean government by injunction.

We do not intend to have government by court edict — with witch hunts and all the attendant trappings.

But we shall secure for government all of its rights, contractual as well as statutory.

The law shall be enforced, whether it be with regard to business, and that includes management and labor -- or the common thief who steals from his government.

As to the Sherman Act, I still say, as I did in 1945, "We in Washington know the state of honest uncertainty that sometimes assails the American business man in determining his status under the antitrust laws."

As I have in the past, I invite you to bring in your problems.

We, of course, cannot solve them because that is your lawyer's job but we will throw what light we can upon them.

That calls for cooperation.

In this way, we can hope to dissipate some of the doubt and uncertainty as to the antitrust laws that are themselves deterrents to initiative and enterprise.

This policy goes for labor, too.

Management and labor should not sit back and depend on government always to carry the ball.

You should know more with regard to the problem than anyone.

Why not advance some suggestions?

Constructive ones, of course.

We should do more thinking about the problem and less crabbing about the government being "tough" on the one hand, or an "appeaser" on the other.

Surely labor, management and government can solve it.

May I add, at this point, another storm warning in the concentration of economic power in too great amounts.

(Over)

I believe it to be hostile to our democratic ideals.

I am not a man who believes that to be big is reprehensible in business, but I am certain that business can be too big for the good of the nation.

There is a line of demarkation which should be observed.

Certain nationally operated firms make it a point to be represented on the community level by small business men, thus keeping up the tradition of opportunity for all.

Others stamp out competition from one street corner to the other with the ruthlessness of a dictator.

You have all seen this happen -- in the great cities and in the little towns.

The right to start a business is inherent in our American ideals.

We teach it in the schools and we should practice it in later life.

The small business is the beginning and the backbone of all business for it is here that the lessons of thrift, hard work and probity are learned.

The antitrust laws, which I am sworn to uphold like all other laws, were enacted for the protection of business, and its enforcement, night and day, is a charter of business freedom.

It prevents trusts from towering too high over the economic pattern of the nation.

It has not prevented some injustices, but it has been a restraining measure wherever it has been applied.

I will make this charter, with your assistance, something of which business can be proud, so that there will be profit and opportunity for all.