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INSURANCE -- BULWARK OF FREE ENTERPRISE

AN ADDRESS

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Gentlemen, insurance is an intricate and far-reaching business. I have heard of many unusual risks which can be covered by insurance. I have heard of insurance coverage on a pianist's fingers and on famous legs. I have been told that policies have even been written to cover the possibility of hogs being hit by low-flying aircraft. Truly, the insurance business has done much to ward off the impact of many of the hazards of this world.

But there is one type of risk that is still not insurable. There is no insurance against the distress and discomfort caused by the after-dinner speech, -- that heavy and dull instrument so frequently wielded with devastating effect upon the nerves and digestion. The most diligent research has failed to uncover a single policy issued against this awful hazard. When at last this risk has been covered, then -- and only then -- will you be able to announce that every calamity known to mankind can be insured against.

But since the first principle of insurance is to be aware of the hazard, let me assure you that I propose to minimize the danger. I will keep in mind the famous remark of Henry Clay. When a long-winded speaker cried to his suffering audience.

"I speak not only for today but for posterity", Clay called back,

"But is it necessary to talk until the arrival of that audience?"

You know, I too am in the insurance business. Part of my job is servicing and enforcing the greatest insurance policy the free enterprise system has ever known -- the Sherman Act.

This group insurance policy has wide coverage. It protects the more than 140,000,000 people of the United States.

Each of you shares in this coverage which guarantees the continuance of the free enterprise system. It insures the continuance of the American

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way of life. For democracy and the free enterprise system are synonymous.

Freedom of enterprise is the great American heritage.

Freedom of enterprise means that new firms are free to enter an industry and that old firms are free to leave it. It means that business stands on its own two feet and does not lean for support on a governmental crutch. It means innovation, change, progress -- with no absolute guarantee of security. And finally, it means competition, with each firm acting independently.

In our free enterprise system, every man has the right to start his own legitimate business. He has the right to put his ideas and money together, to take a chance on making money or losing it, without interference from others. He is limited only by his imagination, his industry and his daring.

This is deep-rooted American tradition. It is our duty, our privilege, to guard and to defend it.

We Americans believe that the free enterprise system is the best way to encourage and to develop new industries, to advance the arts and sciences, to raise the American standard of living, to distribute the most goods to the greatest number of people at the lowest cost, and to assure the preservation of our democratic form of government. We have never wavered in this belief.

The American stands on his rights and claims no immunities. He asks only that the rules of the game apply equally to everyone.

The antithesis of free enterprise is state ownership and governmental control. Progressive abandonment of free and competitive enterprise leads to government domination of business. We have seen tragic examples of this in other countries.

Rigid control and sanction of cartelization were the forerunners of Hitler. Mussolini erected his Fascist corporate state on the foundation of giant industrial combinations. In Japan, the Zaibatsu and the war-lords were one.

These alien philosophies are abhorrent to us. Yet, they arose in countries which once had a competitive business system.

There are other economic philosophies which differ from ours. But the world is large and we can all live in peace together.

The responsibilities of each of us in preserving the American way of life are heavy. They have never been heavier than in this period when new concepts emerge from the dust and rubble of old economic empires.

The forces at work are convulsive and conflicting. They tear at the traditions of the past and threaten to undermine the structure of economic opportunity.

Our own path is plain. We must not permit the economic system in which we believe, our system of free enterprise and opportunity with its attendant civil rights, to deteriorate. We must not allow it to be robbed of its vitality and its blessings. Assaults upon it by the selfish must be withstood. Attacks upon the system of free enterprise are blows against democracy.

It is not out of kindness or indulgence for others that freedom of opportunity and enterprise should be supported. It is a policy of self-interest and self-defense.

In order to guarantee your right to freely conduct your own business, you must see to it that this right is safe-guarded for all.

It is almost sixty years since the Congress of the United States, backed by the overwhelming support of the people, unequivocally declared that no

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business monopoly or control of our economic life would be tolerated. In 1890, the Sherman Act was passed.

Every contract, combination and conspiracy in restraint of trade was prohibited. All monopolies and attempts to monopolize were proscribed.

The Sherman Act has properly been termed the Magna Charta of the free enterprise system and the Bill of Rights of business.

It asserts the principle that enterprise and initiative shall have the opportunity to compete in the market without fear of restraint or combination, and free from reprisal by monopoly tactics.

This law is only an application to business of the traditional and recurrent American proposition that we shall have no favored class and no class government.

The Department of Justice has fought to protect this basic principle and to stop the encroachments of monopoly. Little by little many types of business enterprise have learned that they cannot rule or ruin our economic life to enhance their own profits.

We have successively met and battled the oil trust, the tobacco trust, the aluminum trust and others who have joined in the march of monopoly.

Look at the glass bottle industry, for example. Here a group had divided up fields of operation and had used patents to fence in the industry.

No one could enter the glass bottle industry without their permission. And for twenty-five years this permission was never granted to a new-comer.

Today as the result of our antitrust action, this industry is open to all.

Think of it! Private governments saying to you and me and other American citizens that we shall not enter a business of our own choosing!

You men here — suppose the insurance brokerage business had shut out new men for the past twenty-five years. How many of you would not be in this business today?

Let me emphasize that the antitrust laws do not involve any plan of government regulation or control of business. Their purpose and effect are quite the opposite. They contemplate a minimum of governmental interference with the freedom of enterprise. Individual businessmen are to be free to make their own decisions regarding production, distribution and prices.

There are those who would persuade the American people that government regulation and control are inevitable. We are told that, because of the complexities of modern life, the principles of free competition and free enterprise are inadequate guides.

We are told that business needs more regulation instead of less.

Handing over some of our economic problems to governmental agencies is an easy way out. But partial government control too frequently leads to complete government control. Regimentation increases and feeds upon itself unless there is a continuous, creative effort to reverse the trend. Only in the spirit of voluntary adherence to the principles of competitive enterprise lies the future of economic freedom of the individual.

The basic tenet of the Sherman Act, endorsed impartially by Democratic and Republican administrations alike, is to place this responsibility upon the business community.

The business of insurance, like every other business, has a vital stake in the free enterprise system. You are all familiar with the Supreme Court's holding in the South-Eastern Underwriters case. This case held that the business of insurance, as presently conducted, is interstate commerce and subject to the Sherman Act.

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I know that you are equally familiar with the McCarran Act -- Public Law 15. This Act recognized the applicability of the Sherman Act and gave the insurance community an opportunity to rearrange its practices in conformity with competitive principles.

It also recognized the regulatory powers of the States. States were thereby permitted to enact regulatory laws enabling the continuation of certain practices deemed essential to the conduct of the insurance business.

Specifically, Congress granted the States and the industry a period of grace within which to remove abuses, to revise old laws and to enact new ones. It further provided that at the end of this period, the antitrust laws would again apply to the business of insurance "to the extent that such business is not regulated by State law." Thus, to the extent that restraints of trade in the insurance industry have not been removed by State regulation, the antitrust laws will provide the necessary corrective.

The decision of the Supreme Court and the enactment of Public Law 15 present many problems.

The essential problem for the States and the insurance business is to provide a basis for efficient operation without undermining free competition and the public interest.

We must guard against abuses or combinations among private groups which inhibit competition, promote the concentration of economic power, or otherwise restrain trade and commerce in insurance.

Rigidity should be avoided.

Where combined activity is authorized by State law, effectual safeguards should be established to guard against misuse of the grant. In other words, checks and balances must offset the dangers inherent in the privilege extended.

And the grant of the privilege to act in concert should not mean compulsion upon all to act in concert. Those who wish to act independently should be permitted to do so.

I have been informed that several types of bills purporting to meet the requirements of Public Law 15 have been introduced in the various State legislatures. In some States, such bills have already become law.

The extent to which the States shall regulate insurance practices is, of course, one for their own determination.

The right course, however, is that which will preserve the delicate balance between sound insurance practice and freedom for competition. Other courses may invite the peril of complete government domination.

The wrong course would be unfortunate, perhaps tragic. An American insurance system fettered by endless and involved regulation must inevitably lose its strength and vigor.

A robust insurance system is essential to a strong free economy.

Our private enterprise system could not function without a mechanism for pooling the risks of accidental destruction and damage. Many could not afford ventures into business if there were not this way to secure protection against accident, sickness, fire and other acts of God.

Insurance relieves us of unnecessary worry and frees our talents for concentration on the important creative work of life.

Insurance is well described as the handmaid of commerce and industry. It keeps pace with all new developments that change the course of industry, pointing out the insurable hazards involved and assuming the risks.

Thus industry may be free of the losses that could wreck or interrupt the forward progress of commercial enterprise.

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The insurance system also provides a ready means of reinvestment and reconstruction in the event of unforeseen disaster.

For example, I need only point to the recent tragedy in my home State of Texas.

I have been informed that, in addition to the horrible loss of life, property insurance coverage in Texas City amounted to more than fifty million dollars.

Without insurance, the people who suffered these losses would be in most difficult circumstances. Many would be without means of livelihood. To others would be lost the possibility of returning to their former productive factories and enterprises.

Now, these insurance payments may be plowed back into our economy to build newer factories, efficient plants and businesses. Opportunity and employment will be re-created.

Thus, insurance stands as a bulwark of our economy by acting as a stimulant to new enterprise and as a source of replacement capital. It must be kept strong to play its vital part in our free competitive system.