## GOVERNMENT AND BUSINESS

This time and place naturally suggest some consideration of commerce in its relation to Government and society. We are finishing a year which can justly be said to surpass all others in the overwhelming success of general business. We are met not only in the greatest American metropolis, but in the greatest center of population and business that the world has ever known. If any one wishes to gauge the power which is represented by the genius of the American spirit, let him contemplate the wonders which have been wrought in this region in the short space of 200 years. Not only does it stand unequaled by any other place on earth, but it is impossible to conceive of any other place where it could be equaled.

The foundation of this enormous development rests upon commerce. New York is an imperial city, but it is not a seat of government. The empire over which it rules is not political, but commercial. The great cities of the ancient world were the seats of both government and industrial power. The Middle Ages furnished a few exceptions. The great capitals of former times were not only seats of government but they actually governed. In the modern world government is inclined to be merely a tenant of the city. Political life and industrial life flow on side by side, but practically separated from each other. When we contemplate the enormous power, autocratic and uncontrolled, which would have been created by joining the authority of government with the influence of business, we can better

Address before the Chamber of Commerce of the State of New York, New York City, November 19, 1925. appreciate the wisdom of the fathers in their wise dispensation which made Washington the political center of the country and left New York to develop into its business center. They wrought mightily for freedom.

The great advantages of this arrangement seem to me to be obvious. The only disadvantages which appear lie in the possibility that otherwise business and government might have had a better understanding of each other and been less likely to develop mutual misapprehensions and suspicions. If a contest could be held to determine how much those who are really prominent in our government life know about business, and how much those who are really prominent in our business life know about government, it is my firm conviction that the prize would be awarded to those who are in government life. This is as it ought to be, for those who have the greater authority ought to have the greater knowledge. But it is my even firmer conviction that the general welfare of our country could be very much advanced through a better knowledge by both of those parties of the multifold problems with which each has to deal. While our system gives an opportunity for great benefit by encouraging detachment and breadth of vision which ought not to be sacrificed, it does not have the advantages which could be secured if each had a better conception of their mutual requirements.

While I have spoken of what I believed would be the advantages of a more sympathetic understanding, I should put an even stronger emphasis on the desirability of the largest possible independence between government and business. Each ought to be sovereign in its own sphere. When government comes unduly under the influence of business, the tendency is to develop an administration which closes the door of opportunity; becomes narrow and selfish in its outlook, and results in an oligarchy. When government enters the field of business with its great re-

sources, it has a tendency to extravagance and inefficiency, but, having the power to crush all competitors, likewise closes the door of opportunity and results in monopoly. It is always a problem in a republic to maintain on the one side that efficiency which comes only from trained and skillful management without running into fossilization and autocracy, and to maintain on the other that equality of opportunity which is the result of political and economic liberty without running into dissolution and anarchy. The general results in our country, our freedom and prosperity, warrant the assertion that our system of institutions has been advancing in the right direction in the attempt to solve these problems. We have order, opportunity, wealth, and progress.

While there has been in the past and will be in the future a considerable effort in this country of different business interests to attempt to run the Government in such a way as to set up a system of privilege, and while there have been and will be those who are constantly seeking to commit the Government to a policy of infringing upon the domain of private business, both of these efforts have been very largely discredited, and with reasonable vigilance on the part of the people to preserve their freedom do not now appear to be dangerous.

When I have been referring to business, I have used the word in its all-inclusive sense to denote alike the employer and employee, the production of agriculture and industry, the distribution of transportation and commerce, and the service of finance and banking. It is the work of the world. In modern life, with all its intricacies, business has come to hold a very dominant position in the thoughts of all enlightened peoples. Rightly understood, this is not a criticism, but a compliment. In its great economic organization it does not represent, as some have hastily concluded, a mere desire to minister to selfishness. The New York

Chamber of Commerce is not made up of men merely animated with a purpose to get the better of each other. It is something far more important than a sordid desire for gain. It could not successively succeed on that basis. It is dominated by a more worthy impulse; its rests on a higher law. True business represents the mutual organized effort of society to minister to the economic requirements of civilization. It is an effort by which men provide for the material needs of each other. While it is not an end in itself, it is the important means for the attainment of a supreme end. It rests squarely on the law of service. It has for its main reliance truth and faith and justice. In its larger sense it is one of the greatest contributing forces to the moral and spiritual advancement of the race.

It is the important and righteous position that business holds in relation to life which gives warrant to the great interest which the National Government constantly exercises for the promotion of its success. This is not exercised as has been the autocratic practice abroad of directly supporting and financing different business projects, except in case of great emergency; but we have rather held to a democratic policy of cherishing the general structure of business while holding its avenues open to the widest competition, in order that its opportunities and its benefits might be given the broadest possible participation. While it is true that the Government ought not to be and is not committed to certain methods of acquisition which, while partaking of the nature of unfair practices, try to masquerade under the guise of business, the Government is and ought to be thoroughly committed to every endeavor of production and distribution which is entitled to be designated as Those who are so engaged, instead of retrue business. garding the Government as their opponent and enemy, ought to regard it as their vigilant supporter and friend.

It is only in exceptional instances that this means a

change on the part of the national administration so much as it means a change on the part of trade. Except for the requirements of safety, health and taxation, the law enters very little into the work of production. It is mostly when we come to the problems of distribution that we meet the more rigid exactions of legislation. The main reason why certain practices in this direction have been denounced is because they are a species of unfair competition on the one hand or tend to monopoly and restraint of trade on the other. The whole policy of the Government in its system of opposition to monopoly, and its public regulation of transportation and trade, has been animated by a desire to have business remain business. We are politically free people and must be an economically free people.

It is my belief that the whole material development of our country has been enormously stimulated by reason of the general insistence on the part of the public authorities that economic effort ought not to partake of privilege, and that business should be unhampered and free. This could never have been done under a system of freight-rate discriminations or monopolistic trade associations. might have enriched a few for a limited period, but they never would have enriched the country, while on the firmer foundation of justice we have achieved even more ample individual fortunes and a perfectly unprecedented era of general prosperity. This has resulted in no small part from the general acceptance on the part of those who own and control the wealth of the Nation, that it is to be used not to oppress but to serve. It is that policy, sometimes perhaps imperfectly expressed and clumsily administered, that has animated the National Government. In its observance there is unlimited opportunity for progress and prosperity.

It would be difficult, if not impossible, to estimate the contribution which government makes to business. It is

notorious that where the government is bad, business is bad. The mere fundamental precepts of the administration of justice, the providing of order and security, are priceless. The prime element in the value of all property is the knowledge that its peaceful enjoyment will be publicly defended. If disorder should break out in your city, if there should be a conviction extending over any length of time that the rights of persons and property could no longer be protected by law, the value of your tall buildings would shrink to about the price of what are now water fronts of old Carthage or what are now corner lots in ancient Babylon. It is really the extension of these fundamental rights that the Government is constantly attempting to apply to modern business. It wants its rightful possessors to rest in security, it wants any wrongs that they may suffer to have a legal remedy, and it is all the time striving through administrative machinery to prevent in advance the infliction of injustice.

These undoubtedly represent policies which are wise and sound and necessary. That they have often been misapplied and many times run into excesses, nobody can deny. Regulation has often become restriction, and inspection has too frequently been little less than obstruc-This was the natural result of those times in the past when there were practices in business which warranted severe disapprobation. It was only natural that when these abuses were reformed by an aroused public opinion a great deal of prejudice which ought to have been discriminating and directed only at certain evil practices came to include almost the whole domain of business, especially where it had been gathered into large units. After the abuses had been discontinued the prejudice remained to produce a large amount of legislation, which, however well meant in its application to trade, undoubtedly hampered but did not improve. It is this misconception and misapplication, disturbing and wasteful in their results, which the National Government is attempting to avoid. Proper regulation and control are disagreeable and expensive. They represent the suffering that the just must endure because of the unjust. They are a part of the price which must be paid to promote the cause of economic justice.

Undoubtedly if public vigilance were relaxed, the generation to come might suffer a relapse. But the present generation of business almost universally throughout its responsible organization and management has shown every disposition to correct its own abuses with as little intervention of the Government as possible. This position is recognized by the public, and due to the appreciation of the needs which the country has for great units of production in time of war, and to the better understanding of the service which they perform in time of peace, resulting very largely from the discussion of our tax problems, a new attitude of the public mind is distinctly discernible toward great aggregations of capital. Their prosperity goes very far to insure the prosperity of all the country. The contending elements have each learned a most profitable lesson.

This development has left the Government free to advance from the problems of reform and repression to those of economy and construction. A very large progress is being made in these directions. Our country is in a state of unexampled and apparently sound and well distributed prosperity. It did not gain wealth, as some might hastily conclude, as a result of the war. Here and there individuals may have profited greatly, but the country as a whole was a heavy loser. Forty billions of the wealth of the Nation was directly exhausted, while the indirect expenditure and depreciation can not be estimated. The Government appreciated that the only method of regeneration lay in economy and production. It has followed a policy of economy in national expenditures. By an enormous reduction

in taxation it has released great amounts of capital for use in productive effort. It has sought to stimulate domestic production by a moderate application of the system of protective tariff duties. The results of these efforts are known to all the world.

Another phase of this progress is not so well understood. but upon its continuance depends our future ability to meet the competition of the lower standards of living in foreign countries. During the past five years the Department of Commerce has unceasingly directed attention to the necessity for the elimination of waste. This effort has been directed toward better cooperation to improve efficiency in the use of labor and materials in all branches of business. This has been sought by the necessary cooperative action among individual concerns within industrial groups, and between producers and consumers. This does not imply any diminution of fair competition or any violation of the laws against restraint of trade. In fact, these proposals have been a protection to the smaller units of business and a most valuable asset alike to the producer, wage earner and consumer.

The result of the realization of these wastes and the large cooperative effort that has been instituted in the community to cure them, whether with the assistance of the Government departments or by independent action of the groups, has been the most profound factor in this recovery made in the past five years. There can be no question that great wastes have been eliminated by these activities in the business community through such actions as the abolition of car shortages; by improved equipment and methods of management of our railways; the cooperation with shippers to save delays; the remarkable advance in electrification of the country with all of its economies in labor and coal; the provision of better economic and statistical information as to production, stocks, and consumption of all commodities

in order that producers and consumers may better adjust supply to demand, thereby eliminating speculation and loss; the great progress made in the technology of standardizing quality and dimensions in heavy manufactured products like building materials and commodities generally which do not involve problems of style or individuality; the reduction of seasonal employment in the construction and other industries and of losses through fire and through traffic accidents; advancement of commercial arbitration; development of farmers' cooperatives for the more economical and stable marketing of farm produce; and in general the elimination of waste due to lost motion and material throughout our whole economic fabric.

All this represents a movement as important as that of twenty years ago for the regulation of corporations and conservation of our natural resources. This effort for conservation of use of materials and conservation of energy in which our whole country has engaged during these five years has been in no small part responsible for the rich reward in the increasing comfort and living standards of the people. But in addition to bringing about a condition in which the Government debt is being rapidly liquidated while at the same time taxes are greatly reduced, capital has become abundant and prosperity reigns. The most remarkable results of economy and the elimination of waste are shown in the wage and commodity indexes. In 1920 wages were about 100 per cent above the pre-war rates and the average wholesale price of commodities was about 120 per cent above the pre-war rates. A steady increase in the wage index took place, so that during the last year it was 120 per cent above the pre-war rate. As the cost of our production is so largely a matter of wages, and as tax returns show that for the last year profits were ample, it would naturally have been expected that the prices of commodities would have increased. Yet during this period the

average wholesale price level of commodities declined from 120 per cent above the pre-war level that it was in 1920, to only 57 per cent above the pre-war level in 1925. Thus, as a result of greater economy and efficiency, and the elimination of waste in the conduct of the National Government and of the business of the country, prices went down while wages went up. The wage earner receives more, while the dollar of the consumer will purchase more. The significance and importance of this result can not be overestimated.

This is real and solid progress. No one can deny that it represents an increase in national efficiency. It must be Great as the accomplishments have been, maintained. they are yet but partly completed. We need further improvement in transportation facilities by development of inland waterways; we need railroad consolidations; we need further improvement of our railway terminals for more economical distribution of commodities in the great congested centers; we need reorganization of Government departments; we need still larger extension of electrification; in general, we need still further effort against all the various categories of waste which the Department of Commerce has enumerated and so actively attacked, for in this direction lies not only increased economic progress but the maintenance of that progress against foreign competition. There is still plenty of work for business to do.

By these wise policies, pursued with tremendous economic effort, our country has reached its present prosperous condition. The people have been willing to work because they have had something to work for. The per capita production has greatly increased. Out of our surplus savings we have been able to advance great sums for refinancing the Old World and developing the New. While Europe has attracted more public attention, Latin America, Japan, and even Australia, have been very large participa-

tors in these loans. If rightly directed, they ought to be of benefit to both lender and borrower. If used to establish industry and support commerce abroad, through adding to the wealth and productive capacity of those countries, they create their own security and increase consuming power to the probable advantage of our trade. But when used in ways that are not productive, like the maintenance of great military establishments or to meet municipal expenditures which should either be eliminated by government economy or supplied by taxation, they do not appear to serve a useful purpose and ought to be discouraged. Our bankers have a great deal of responsibility in relation to the soundness of these loans when they undertake to invest the savings of our country abroad. I should regret very much to see our possession of resources which are available to meet needs in other countries be the cause of any sentiment of envy or unfriendliness toward us. It ought everywhere to be welcomed with rejoicing and considered as a part of the good fortune of the entire world that such an economic reservoir exists here which can be made available in case of need.

Everyone knows that it was our resources that saved Europe from a complete collapse immediately following the armistice. Without the benefit of our credit an appalling famine would have prevailed over great areas. In accordance with the light of all past history, disorder and revolution, with the utter breaking down of all legal restraints and the loosing of all the passions which had been aroused by four years of conflict, would have rapidly followed. Others did what they could, and no doubt made larger proportionate sacrifices, but it was the credits and food which we supplied that saved the situation.

When the work of restoring the fiscal condition of Europe began, it was accomplished again with our assistance. When Austria determined to put her financial house in order, we furnished a part of the capital. When Germany

sought to establish a sound fiscal condition, we again contributed a large proportion of the necessary gold loan. Without this, the reparations plan would have utterly failed. Germany could not otherwise have paid. The armies of occupation would have gone on increasing international irritation and ill will. It was our large guarantee of credit that assisted Great Britain to return to a gold basis. What we have done for France, Italy, Belgium, Czechoslovakia, Poland, and other countries, is all a piece of the same endeavor. These efforts and accomplishments, whether they be appreciated at home or received with gratitude abroad. which have been brought about by the business interests of our country, constitute an enormous world service. Others have made plans and adopted agreements for future action which hold a rank of great importance. But when we come to the consideration of what has been done, when we turn aside from what has been promised, to examine what has been performed, no positive and constructive accomplishment of the past five years compares with the support which America has contributed to the financial stability of the world. It clearly marks a new epoch.

This holds a distinctly higher rank than a mere barter and sale. It reaches above the ordinary business transaction into a broader realm. America has disbanded her huge armies and reduced her powerful fleet, but in attempting to deal justly through the sharing of our financial resources we have done more for peace than we could have done with all our military power. Peace, we know, rests to a great extent upon justice, but it is very difficult for the public mind to divorce justice from economic opportunity. The problem for which we have been attempting a solution is in the first instance to place the people of the earth back into avenues of profitable employment. It was necessary to restore hope, to renew courage. A great contribution to this end has been made with American

money. The work is not all done yet. No doubt it will develop that this has not been accomplished without some mistakes, but the important fact remains that when the world needed to be revived we did respond. As nations see their way to a safer economic existence, they will see their way to a more peaceful existence. Possessed of the means to meet personal and public obligations, people are reestablishing their self-respect. The financial strength of America has contributed to the spiritual restoration of the world. It has risen into the domain of true business.

Accompanying these efforts to assist in rehabilitation have lately come the negotiations for the settlement of our foreign debts. Ten nations have already made settlements for \$6,383,411,669 of these debts, exclusive of accrued interest. The principal sums and interest which have been funded and are to be paid to the United States aggregate \$15,056,486,000. There remain nine nations, with debts in the principal amount of \$3,673,342,362, which have not yet been settled. Of the nine nations, France represents \$3,340,000,000, Greece \$15,000,000, and Yugoslavia \$51,-000,000. Of the remaining six, Rumania is now negotiating a settlement, Nicaragua is paying currently, and a moratorium for twenty years has been granted Austria by act of Congress. Armenia has ceased to exist as a nation, the Government of Russia has not been recognized, and Liberia owes but \$26,000.

It has been the belief of the Government that no permanent stabilization of European finances and European currency can be accomplished without a definite adjustment of these obligations. While we realize that it is for our advantage to have these debts paid, it is also realized that it is greatly for the advantage of our debtors to have them finally liquidated. We created these values and sent them abroad in a period of about two years. We are extending the time for their return over a term of sixty-two years.

While settlements already made and ratified by Congress, and those which will be presented for ratification, are very generous, I believe they will be alike beneficial to ourselves and the countries concerned. They maintain the principle of the integrity of international obligations. They help foreign governments to reestablish their fiscal operations and will contribute to the economic recovery of their people. They will assist both in the continuance of friendly relations, which are always jeopardized by unsettled differences, and the mutual improvement of trade opportunities by increasing the prosperity of the countries involved.

The working out of these problems of regulation, Government economy, the elimination of waste in the use of human effort and of materials, conservation and the proper investment of our savings both at home and abroad, is all a part of the mighty task which was imposed upon mankind of subduing the earth. America must either perform her full share in the accomplishment of this great world destiny or fail. For almost three centuries we were intent upon our domestic development. We sought the help of the people and the wealth of other lands by which to increase our numerical strength and augment our national fortune. We have grown exceedingly great in population and in riches. This power and this prosperity we can continue for ourselves if we will but proceed with moderation. If our people will but use those resources which have been intrusted to them, whether of command over large numbers of men or of command over large investments of capital, not selfishly but generously, not to exploit others but to serve others, there will be no doubt of an increasing production and distribution of wealth.

All of these efforts represent the processes of reducing our domestic and foreign relations to a system of law. They consist of a determination of clear and definite rules of action. It is a civilizing and humanizing method adopted by means of conference, discussion, deliberation, and determination. If it is to have any continuing success, or any permanent value, it will be because it has not been brought about by one will compelling another by force, but has resulted from men reasoning together. It has sought to remove compulsion from the business life of the country and from our relationship with other nations. It has sought to bestow a greater freedom upon our own people and upon the people of the world. We have worshiped the ideals of force long enough. We have turned to worship at the true shrine of understanding and reason.

In our domestic affairs we have adopted practical methods for the accomplishment of our ideals. We have translated our aspirations into appropriate actions. We have followed the declaration that we believe in justice, by establishing tribunals that would insure the administration of justice. What we have been able to do in this respect in relation to the different States of our Union, we ought to encourage and support in its proper application in relation to the different nations of the world. With our already enormous and constantly increasing interests abroad, there are constantly accumulating reasons why we should signify our adherence to the Permanent Court of International Justice. Mindful of our determination to avoid all interference in the political affairs, which do not concern us, of other nations, I can think of no more reassuring action than the declaration of America that it will whole-heartedly join with others in the support of the tribunal for the administration of international justice which they have created. I can conceive of nothing that we could do, which involves assuming so few obligations on our part, that would be likely to prove of so much value to the world. Beyond its practical effect, which might be somewhat small, it would have a sentimental effect which would be tremendous. It would be public notice that the enormous influences of our

country were to be cast upon the side of the enlightening processes of civilization. It would be the beginning of a new world spirit.

This is the land of George Washington. We can do no less than work toward the realization of his hope. It ought to be our ambition to see the institutions which he founded grow in the blessings which they bestow upon our own citizens and increase in the good which their influence casts upon all the world. He did not hesitate to meet peril or encounter danger or make sacrifices. There is no cause which can be supported by any other methods. We can not listen to the counsels of perfection; we can not pursue a timorous policy; we can not avoid the obligations of a common humanity. We must meet our perils; we must encounter our dangers; we must make our sacrifices; or history will recount that the works of Washington have failed. I do not believe the future is to be dismayed by that record. The truth and faith and justice of the ancient days have not departed from us.