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Federal Trade Commission Will Employ Amicable Methods

A. A. C. o. W. Address
By JOSEPH E. DAVIES
Chairman, Federal Trade Commission

Purpose "to aid in the accommodation of business to the demands of society as expressed through statute"—
Sherman Law should apply only to domestic trade

THE President of the United States has requested me to say that it was a matter of particular regret to him that he was unable to be present upon this occasion. But for the pressure of affairs of the greatest moment, and the burden which he is bearing in these trying times, he would have been glad, I am sure, to have accepted your invitation to address this great association. His regret, I am requested by him to say, was particularly accentuated by reason of the splendid and altruistic character of the purposes of your organization.

ADVERTISING AND TRUTH

Advertising is that agency in commerce which creates public opinion in business. It is fertile with blessings to the public. It is also fraught with possibilities of fraud, deception and great wrong. It is one of the most important factors in the cost of distribution, and it is of the keenest interest to the public, for it is in the processes of distribution that there is incurred the greatest loss in the social economy.

Advertising affords a field wherein keenness, initiative and enterprise command great rewards. In no avenue of business does dishonesty afford speedier and more substantial financial gain. It is under such conditions and in such a field that you have organized these associations, with the word "Truth" as the index of your purpose and the guide of your course.

PRAISES MORAL STAND

It is to the credit of your profession, and to those connected with the enterprises of this organization, that you have found, within your own spirit, the initiative and moral purposes to base your business activities upon the principle of righteousness, as well as upon the rule of profit by exacting and demanding truth as the basis of advertising enterprise and by exacting and demanding honesty in circulation statements, rectitude in merchandising, and truth in the advertising itself.

Last year two great congresses—one at Budapest and one at Paris—devoted their deliberations to the securing of uniform international legislation for the suppression of fraudulent advertising. Since that time the peaceful processes of Europe have been disorganized or destroyed by this terrible holocaust called "war." Your association here alone remains in a world almost gone mad to further those ideas and to hold aloft the torch of "truth in advertising" in world commerce.

BUSINESS NEEDS GOVERNMENT

The relation of business to government and government to business is a matter of great concern to us all. The properties of industry, transportation, and commercial business constitute a large proportion of the total wealth of the nation. Business as such constitutes a great part of the social

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body for which government exists. The well being of business is and properly should be a matter of government concern. The welfare of a great part of the people of the nation depends directly upon its well being. Great benefits accrue from it to the whole country.

While business is a substantial part of society for which government exists, business on the other hand could not exist without government. A government watchful of the interests of the whole of society must be superior to it and independent of it, even as the interest of all is superior to the welfare of the few. Nor can any part of society exist but for the protection afforded by the whole thereof. An injury to any part is injury to all. The relation of government toward business has always been, therefore, of paramount interest to all classes of society bound together in social contract:

PURPOSES OF TRADE COMMISSION

One of the recent agencies devised by government in connection with its relationship to business and industry is the federal trade commission. It was designed to furnish a nonpartisan body of men, expert upon matters connected with business and industry, to aid in the enforcement of the law for the benefit of the whole country, and to aid in the accommodation of business to the demands of society as expressed through statute.

Congress created it as an agency to destroy what has been termed the "seeds of monopoly." It is clothed with the power to prevent unfair practices of competition in commerce. Unfair methods of competition have been in the past the principal weapons of and agencies in the producing of monopoly. It is also clothed in certain cases with power to serve as an adviser upon the facts to the courts in their enforcement of the antitrust laws.

There is no doubt that one of the essential purposes underlying the creation of the federal trade commission was also to pro-

vide an administrative agency to make more easy the accommodation of business to the requirements which government imposes for the benefit of society.

VIEWS VOICED BY PRESIDENT

This idea was voiced with characteristic lucidity and power by the President of the United States in his message to Congress. It was received with enthusiasm by the business public and by the whole country. It resulted in the passage of the federal trade commission bill by a practically unanimous vote of both the house and the senate of the United States.

It will be the purpose of the federal trade commission to translate this idea, which was so largely responsible for its creation, into its policy and attitude toward business and the public interest. The interest of the public, of complainants, and those complained against, all require that in the accommodation of business processes to government requirements, readjustments shall be brought about as easily and with as much speed as is consistent with law and due regard for the rights of all concerned.

Business men today do not desire intentionally to disobey the law. A common understanding of the facts arrived at through full and frank conference of persons complained of with the federal trade commission may frequently result in the stopping of the alleged unfair practices more expeditiously than would lengthy legalistic procedure.

POLICY TO AVOID LAWSUITS

It is in the interest of the public that processes of suitable and amicable accommodation should be first exhausted by the federal trade commission before it should institute formal complaints embarking upon a long and technical course of legal procedure.

The purpose of the federal trade commission is not to harass, but to help—not to make a legalistic record, but to bring

relief and aid, and efficiently to serve the public interest and to bring "first aid" to the competitor injured before the patient is exhausted by long drawn out technicalities of legal action. The essential thing is the accomplishment of the effective protection of the public and of business itself against unfair methods of competition, with due regard to the rights of all, as speedily and as easily as possible.

The protection of the complainants, fairness to those complained against, and the interests of the whole community are best served by adjustments which are founded upon justice and fairness, but which are as immediate in their application and relief as the public interest and the law will permit.

WAR'S EFFECT ON TRADE

We are living in a remarkable period of the world's history. Never before have the courses of trade of the world been so altered with such promise to the fair advantage of the American people. The European war has brought to our attention the intimate relationship which this nation bears to the markets of the world.

The recent cutting off of the European supply in certain lines heretofore supplied from foreign markets has demonstrated the necessity of the creation of independent, self-sustained, permanent industries indigenous to our conditions, for the production of such supplies. Such enterprise here is confronted with the possibility of unfair methods of competition being employed by foreign monopolies subsequent to the war.

Local price discrimination, whereby prices are lowered in one community for the sake of driving out competition, when at the same time prices are raised in another locality to recoup such loss where there is no competition, is prohibited as between residents of the United States.

FOREIGN ANTI-TRUST LAW NEEDED

It is urged that the same degree of protection afforded American industry from

such unfair competition from a local competitor should be equally afforded if the competition might come from a foreign source. Such practices engaged upon by foreign monopoly in this country heretofore renders probable their repetition with greater severity at the conclusion of the war. Customs tariffs in such situations have been absorbed. Tariffs have been found to be unsatisfactory to afford protection against such practices.

"Dumping" by foreign monopolies into this country, either of their surplus products or of their competitive products, and the selling of such products at a cost in this country below the prevailing market cost in the country of their production, is vicious in practice and holds potentialities of great harm to American industry and to the American people. Such practices are prohibited by law in Australia, not through the customs tariff, but through legislation looking to the repression of monopoly and to the protection of local industry from foreign monopoly. In Australia such practices are declared to be unfair competition and placed under the ban of the law.

American enterprise and industry indigenous to our soil and native to our conditions are entitled to have such competition of foreign monopoly declared to be unfair and to have such practices prevented if sought to be employed.

CO-OPERATION SYSTEM URGED

One of the most significant facts in the evolution of modern world industry has been the development of international cartels in Europe. These organizations have existed in over a hundred different lines of industry for the purpose, among others, of promoting foreign trade and of effecting economies in distribution in world competition. It has been urged that combinations of American manufacturers for the purpose of engaging in export trade be permitted for similar economies in export trade.

Opportunity to participate in such econ-

omies might afford to the smaller manufacturer an opportunity to extend his market if participation in such an organization would be a matter of right rather than of largess on the part of others in such organization. The design and object of the Sherman law was to preserve competition for the protection of the general public and in the interest of smaller units as a matter of domestic policy within this country. The law was in the interest of the small manufacturer.

BENEFIT TO THE LITTLE FELLOW

In fields of international commerce conditions now so obtain as to be prohibitive of enterprise upon the part of the smaller manufacturer in the extension of his markets abroad. The cost may be too great. The trust can afford and does establish branch agencies in the various countries of the earth. The smaller men can reach the market only through co-operation with others. The very rule designed for the protection and aid of medium sized business units within, if applied, prevents growth and development without.

Competition in the foreign field is assured by reason of the international character of the market and the contest therefor by European manufacturers. Preservation of regulated competition at home is a matter of capacity for administration. Entirely apart from any question of the desirability of embarking upon a policy of extending or permitting co-operation in foreign trade, these distinctions should be observed. These are matters connected with the Sherman law in connection with foreign trade to which the American people must address their attention.

FAILURE BLOW AT DEMOCRACY

The admission of our incapacity to meet situations of this kind and still retain those principles fundamental to our form of government would constitute a profession that democracy must fail.

If we can not consciously shape our own evolution to that end that we may grow and prosper and still preserve equality of opportunity in industry, then we are unfit. Our whole history is a denial of such an attitude. By reason of our traditions, our hopes and our duties, we cannot accept such an attitude of negation. The character of our people, the great expanse of our territory, with its great undeveloped resources, spreads out the lexicon of youth before us, and on it there is written no such word as "fail."

You here represent and typify the energy, the vigor, the initiative and the enterprise of the American spirit. Your very association here for the purpose of establishing a moral principle as a rule of practical conduct for business proclaims the capacity of men consciously to shape the evolution of their business by placing a restriction upon natural cupidity, and by shaping your development so that it shall be confined and co-ordinated by a rule of conduct in the common interest, to serve the common good.

The spirit of the republic admits of no such incapacity to shape its destiny. On this new continent, under new conditions with the virtues of many peoples of the earth amalgamated into one spirit of devotion to representative government, we proclaim faith, with humble supplication for Divine aid, in the capacity of the nation to shape its largest development in such a way that democracy instituted for the service of the common man shall endure.

Chicago Ad Men Defeat St. Louis

The baseball team of the Chicago Advertising Association defeated the St. Louis Club's team on June 19th, by a score of 11 to 2. The proceeds of the game amounted to \$4,400, and will go as usual to the Off-The-Street Club to help defray the annual expenses of that organization. The return game at St. Louis, June 26th, resulted in a tie.

