

CAUTION - RELEASE ON DELIVERY

ADDRESS

of

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COMMISSIONER, SECURITIES & EXCHANGE COMMISSION

at a

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I feel under deep obligation to this group of the Investment Bankers Association for your generous invitation to address you today. Many of you I have known for a long time personally, others by reputation. I think I know something of your problems both as individual companies and as an association. I know of no other group of business men with higher ideals, nor do I know of any other business potentially better able to render real and enduring service to the recovery of our country.

I intend to speak with you plainly and forthrightly. I shall try to speak to you somewhat after the fashion of the late Sam Jones, who was an able and popular Methodist preacher of Georgia. Once in his career, he was a guest at a banquet of Methodist preachers and bishops in New York City. The toastmaster called on each guest to outline briefly his formula for arousing and exercising the interest and attention of his congregation. An eminent bishop spoke first. He said that he held the attention of his congregation by endeavoring to make his sermons euphonious, harmonious, and syllogistical. After the bishop, each divine arose with dignity and profundity to outline his own plan. Finally brother Sam Jones was reached.

Jones said, "Mr. Toastmaster, I follow a slightly different course from any mentioned by our distinguished speakers. I follow this plan with sustained success; I lay the fodder on the ground so that everybody in the congregation from a giraffe to a mouse can partake thereof."

Whatever you may think about my remarks here today, I want you to know that it is my purpose to lay the fodder on the ground. I believe that you will have no difficulty in knowing how I feel, whether you agree with me or not.

In a democracy the individual citizens -- you and I -- may cooperate with our government or we may obstruct. Under a dictatorship the citizen does not cooperate with his government; and he does not obstruct for long. He merely obeys it. In America we must solve, or fail to solve, our problems under our present form of government -- a democracy under a great Constitution.

It is interesting in this connection to remember that there was scarcely a member of the Constitutional Convention in Philadelphia that labored to construct this great document who was wholly satisfied with the final draft, and many were quite dissatisfied with it.

It seems to me the reason for these elements of dissatisfaction was that the Constitution of the United States, as submitted to the states for ratification, was the result of compromise and concession. No one man or group had everything he wanted. It was freely predicted in the convention that it would never work and that future generations would repudiate it fully.

I mention this historical fact because it seems to me to afford some bearing on the present situation. This, of all times, it seems to me, is no time for any group in America to assume to monopolize all wisdom, or to insist upon the acceptance of some formula without change or amended conviction.

William Allen White, taking office as President of the American Society of Newspaper Editors, gave grand expression to the inherent fairness and flexibility of American public opinion when he said "What America needs most today is tolerance -- a willingness to give some thought to the other fellow's viewpoint while the country works out its political and economic problems." And James A. Farley in his recent New York speech uttered the same thought.

In spite of an extreme view here and there I feel that out of the confusion of tongues in America there is emerging a new spirit of reasonableness, fair play and honorable compromise -- the same spirit that characterized the men who in 1787 gave us the charter of our liberty and the checks and balances of our national life.

The real issue in America today is recovery. It is material recovery, economic recovery, the defeat of the spiral of deflation. We must combat the anemia of depression with the red corpuscles of production, of employment, of business turnover in the blood stream of our nation.

This is the issue that the minds of the American people are grappling with today. We all know that the only way democracy in America can ever become jeopardized would be through the utter collapse of our democratic institutions in their functioning day by day for the interests and the welfare of our people.

Within two weeks the voice of American business has been raised in support of a cause that the people and their Government heartily agree is truly national. It is all of that, because it vitally concerns the welfare of the whole American people.

I refer of course to the voluntary pledge recently given by sixteen representative spokesmen of the world of business -- each a respected leader in his field -- to do everything in their power to encourage by their example a country-wide participation in a national effort to hasten the return of real economic recovery.

This pledge was given in response to the President in his recent address in which he appealed to all of us to work together to move the life of the nation forward. He asked for closer cooperation between business and Government. The resumption of normal industry he insisted is the common need and aspiration of us all.

To organize and promote this cooperation -- this voluntary teamwork -- was, as I believe, the high purpose that prompted this two-fold avowal of common aims by the spokesman of the Government and the leaders who have volunteered to speak for business.

We have here in these two declarations what appears to be agreement on these points:

We live and work under an industrial system which depends at all times for health upon a full and fair opportunity to earn legitimate profits.

We cannot hope for an enduring recovery unless we can bring about conditions which encourage continuous activity and steady production.

The common task ahead requires the discharge of responsibilities by industry and government which are alike imperative and complementary. Industry faces the continuous responsibility of doing its best to maintain in its various fields the full measure of activity which is commensurate with those practices that conscience, speaking through the law, defines as legitimate, and that common sense, speaking through experience, tells us are sound and therefore in the public interest.

The spirit of unity in support of a principle is one thing. The best way of applying the principle is a different thing. Why has the country, as I believe, been encouraged by this two-fold avowal of common aims on the part of the leaders of Government and business? Because there is no pretense on the part of either that honest differences do not still exist concerning the best methods to be employed in bringing about the resumption of normal industry. This is to be expected. It is what happens whenever government or business attempts to solve great problems, whether singly or together. But I believe the spokesmen of business who gave their pledge of cooperation the other day voiced the sentiment of the rank and file of American business the country over when they said:

"Surely no one can doubt that the goal which every citizen desires to reach is to advance the national income to a point where employment and prosperity can be widespread." This is the goal toward which we are all pressing. It can only be attained, as our spokesmen have declared, by enlisting the cooperation of every member of the community, regardless of his walk in life or the task at which he strives to earn an honest livelihood.

Here is the question for the earnest consideration of us all. Can the Government and business, bringing to bear to the uttermost their joint efforts, arrest this deflationary spiral and again put the nation back on the road to recovery. Can we (all working together) really move the life of the nation forward? My answer is "yes", but a qualified "yes". We can miss in a hundred ways, and each of these ways can seem sound. But there is at least one way, it seems to me, in which we can do it and I am going to have the temerity to state that way. We can do it only by wholehearted, tolerant, determined cooperation. We can do it if we will to do it.

The government has been at work at it for the past five months. Whether we approve or disapprove, let us examine some of the more important steps it has taken.

1. Congress has amended the Federal Housing Act to stimulate a substantial increase in new building, both on small scale and on large scale. This action seems to be making for a rather substantial pick-up in construction. It is worthwhile, I think, to remind you that the erection of new houses for the past eight years has not gone forward at a rate sufficient even to balance the depreciation and the destruction of houses during the same period.

2. Congress has passed, and the President may soon sign, the 1938 Revenue Bill. This bill gives great relief and promise to individual and corporate taxpayers. It means an improved, a less burdensome, and a more sound tax structure. It encourages business to go ahead. It opens the door of investment to private capital. Its spur to our economic life should not be minimized. It helps restore confidence.

3. The President has recommended, and Congress has passed, legislation to make capital more readily available in substantial amount to legitimate enterprise through the R.F.C. lending program.

4. The President has recommended that Congress give immediate attention to the plight of the railroads, and has suggested initial effort now to save the railroads from going through the wringer, and study of the information available through the Interstate Commerce Commission with a view to more far-reaching, permanent aid by the next Congress.

5. The President has recommended additional measures to stimulate purchasing power.

These efforts of the government, no matter how carefully they are thought out, cannot do the job alone. If you admit that they are necessarily the first steps, you will also have to admit that they will fail utterly unless government and business are able to relight the fires of individual initiative, now smoldering, to renew the flow of private capital, to stimulate the machinery of idle industry.

If Government effort is not followed through by private and business effort, then we could have a threat to democracy.

These efforts of the Government may be thought of as constituting the shock troops of the attack. If these forces move forward promptly and take over the trenches temporarily which are now held by the deflationary economic forces, they must be supported by a second wave and a third wave of industrial troops moving up to support and to take over the burden.

I should like to make one suggestion to each of you individually. I believe that the time has come for businessmen to cease harping on the theme that the government is the enemy of business. And it shall be my everlasting endeavor to dissuade government officials from uttering publicly or privately the thought that business is the enemy of government. The importance of putting an end to this sort of talk may be illustrated by reference to the utilities. For the past two years, the struggle for regulation went on between the utilities and the government. This battle has been fought. There is no good in fighting it over. Let us have peace. If we have peace and have teamwork and cooperation between the utilities and the government, a conservative estimate would indicate that several hundred million dollars of new capital would flow annually into investments for new construction and replacement.

So far, it seems to me, both the President and business have received good response to the efforts they are making. The issue at stake is too vital for loose talk. It is too vital for any of us to hold malice in our hearts. It is too vital for us not to be good patriots.