

ADDRESS OF HUSTON THOMPSON,
CHAIRMAN FEDERAL TRADE COMMISSION,
BEFORE THE NATIONAL CONVENTION OF
COOPERATIVES, NEW YORK CITY, ON THE
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Your chairman has introduced me as a government official representing an agency having jurisdiction over banking. It is not to be wondered at that the introduction inadvertantly suggests the Commission's control of banks, since, because of the many governmental organizations, I have found in mingling with the business world that the duties of the Federal Trade Commission are not clearly understood. As a matter of fact the control of banks is in the hands of the Federal Reserve Board. The Commission's duties are confined to the actions of corporations other than railroads and banks.

In order that you may have a clear understanding of the manner in which it functions, I shall endeavor to bring its position more clearly to you through a few illustrations. For example, whenever I come to New York City, one thing impresses me perhaps more than any other and that is your traffic regulations. On Fifth Avenue I see the signals to stop and start. I know that some organization has been put in control of your traffic in order that it may advance with the least possible friction, delay and injury. This power you have placed in the hands of your traffic officers.

Likewise the Federal Government has designated a traffic officer along the channels of business and your Congress has designated as this traffic officer the Federal Trade Commission. The Commission's purpose, like that of your traffic officer, is not to stop or delay business any more than is necessary for the good of all, but to see that it moves along with each unit obeying the laws which have been handed down by Congress.

Let me illustrate it in another way. This is the season when great football contests occur. You who attend them will see two squads of contesting players run upon the field. Then a group of officials differently dressed appear. One of them gives a signal and the game starts. The other who is known as the umpire, silently follows the play up and down the field, until some one of the contestants breaks a rule, then this umpire makes a decision which invariably carries a penalty against the one who has committed infraction. He does not inflict a penalty unless the infraction of the rules has seriously affected the play. If he inflicted a penalty every time a rule was broken, he would destroy the pleasure of the spectators and then they might destroy him. He only acts when he believes the welfare of the game has been affected.

Likewise the Federal Trade Commission as an umpire in the business arena does not function unless there has been a serious infraction of the fair methods of competition. It seeks, just as the football umpire does, to avoid wasting time on immaterial breaches of the law. It permits the competitors for the business of the ultimate consumer to play the game with all the skill and energy they possess, so that the fittest may succeed. It only interferes when one of those competitors is seeking to injure or destroy another.

Our Government has declared for the competitive system from the days of its foundation. This system is woven in many ways through our Constitution. It has been approved in the decisions of our supreme Court; it has been declared to be the rule of trade practice in the business world by our Congress. It was for the purpose of seeing that competition was not destroyed in America that the Federal Trade Commission came into existence. The Commission soon found that there were many types and groups of competitors all seeking the favor of the ultimate consumer. To them it has said, whether they were wholesalers, manufacturers, chain stores, retailers, or cooperatives, "play the game to your utmost along the lines which you have separately planned for yourselves, and so long as you play it fairly, there will be no interference on the part of the Commission; no one of you shall have

any advantage over the other, and all shall be given equal protection."

As I have been able to observe in studying European cooperation at first hand, this is more protection than is granted in European countries to the cooperative.

Let me now take you into the arena of business, that you may see it through our eyes. (Of course, I am speaking only for myself and not for my associates on the Commission.) Some of us question whether the modern corporation is not given too much advantage over a partnership, or an individual in the business world. It is an artificial person permitted to exist only by law, yet it is given less responsibility and more protection in most instances than is given to the natural person or a partnership. So long as the corporation develops as a single unit, without absorbing its competitors either by force, unfair tactics, or against the law, there can be no objection to it. In fact, the more it develops from the center towards the periphery, the more it may be admired. When, however, it not only seeks to absorb or crush its competitor or to wipe out the competition of the latter and, crossing state lines, takes over competitors in other states, it then gets beyond the control of the state's jurisdiction and must come under the surveillance of the national government.

We have today corporations composed of as many as 125 of these formerly separate units.

Now it is a strange thing that the human mind from time immemorial has had a fear of size, just as in nature we find that size is abhorred. This fear, if accelerated or accentuated by monopolistic tendencies on the part of an aggregation of corporate units, registers itself in Congress. Then Congress is called upon to legislate. When the Federal Government is forced to take control the almost inevitable result is paternalism, centralization of government and increased taxation. Such action carries with it increased expense because of the cost of administration of these great combinations. Only recently Congress called upon the Department of Agriculture to supervise one of our great industries where combinations had been the order of the day and this resulted in an additional appropriation and more employees.

Another thing in the business arena with which the Federal Trade Commission is constantly confronted and has been waging a ceaseless war against for the last five years is price-fixing, or price control, by combinations of corporations. So long as the question of price, profits and dividends are the sole or dominant idea of business corporations, just so long will we have price-fixing. While price-fixing flourishes, we will never have that which is so necessary to the cooperative movement -- a stabilized market.

If you will take the period from the war down to the present time, you will find the business illustrated on the charts by many sharp curves showing that the business world has been unsettled. This has been due in great part to the irresistible desire to make quick and unusual profits at the expense of service and at the cost of the future welfare of business. Invariably the curves mount higher and higher until, as in 1873, a depression or crash wiped out the artificial business structure and men had to build again.

I said a moment ago that stabilization was a vital essential for cooperative business, and particularly for cooperative banking. When I was in Ireland last year, the representatives of the credit unions told me that a credit union's life depended upon stabilized business. If there was too much prosperity the farmer deserted his credit union, whereas, on the other hand, if a crash followed false prosperity he was too poor to be of much value as a member of the credit union. So long as we have concentration by combination or price control in the business world, we will not be able to avoid fluctuations.

I have said that concentration in business drives the Federal Government to supervision and control after the business has crossed state lines. Do you want more business control? Already the United States Government

has in the neighborhood of 500,000 employees. Centralization and regulation of business will mean a tremendous increase in the number of government employees and additional taxes to meet the cost of this increase.

One of the reasons why I think credit banks may come to be of very great importance in our country when they have spread out over the nation is that they will decentralize the distribution and circulation of money in small amounts. The more I see of business the more I am convinced that banking is the cornerstone of the arch of any economic system, whether it be capitalistic, cooperative or otherwise, and the more decentralization there is of banking, the greater will be the strength of the banking system. Take, for example, the experience that Denmark has been through. In a country of approximately 4,000,000 people, there was, several years ago, a bank failure involving the loss of from eighty to one hundred million dollars. Apply a proportionate loss to the 110,000,000 people of the United States, and you can readily see that it would mean the wiping out of our whole banking structure. Now, what happened to the cooperatives in Denmark when that crash came, which was brought on through speculation, occurred? Well, I saw the Central Cooperative bank last year in Copenhagen. It is located within a few blocks

of the other great bank that crashed. It is housed in one of the most beautiful buildings in Copenhagen. That cooperative bank weathered the storm. It is true that it staggered, but it and practically all of the cooperative banks which it served stood up, while many private banks went down with the great banking failure. The chief reason for weathering the storm by the cooperatives was due to the fact that the credit union or cooperative banks keep their money in circulation in the local communities and their central bank in Copenhagen only served them in carrying out this idea. It is interesting to note that my informants throughout Europe told me that the credit unions not only did not act injuriously upon private banking, but were a benefit to it.

While in Estonia last year talking with the credit union cooperators, I learned that in 1918 when that country broke away from the Russian Government, those who had their money in private banks which banks in turn had great deposits at Petrograd and Moscow, were entirely wiped out, but the cooperative banks, which kept the money of their members circulating among their members in Estonia still had that money, or what was left of it after the action of various warring parties that swept over that territory. In Germany, I had opportunity to see the cooperative banks function when the market was so jumpy and things were in

chaos. Despite a nation-wide situation that was indescribable, the cooperatives who lost tremendously and who were halted in their growth for the time being, were still able to function. Today they are receiving deposits from members who lost everything during the war.

I have given you a rather sketchy and birdseye view of the situation as I see it. I see it contesting in the business arena with commercial units and combinations and monopolies. I see monopoly as a thing which eats into the very vitals of the national life, and I am prepared for anything that will act as a back-fire to it and halt its spread and which will at the same time cause decentralization. I believe that cooperation will act as a back-fire to monopoly and that it is a great stabilizer.

In England I talked with some very wise cooperators who said in substance that they did not believe that cooperation would ever dominate 100 per cent, but they nevertheless believed in its philosophy and policy and its present and future success. England has had cooperation for eighty years and about twenty million people, or one-third of its population, now use it as a means in purchasing their necessities or distributing them. Recently the movement has

been growing in England and other parts of Europe. It has grown because it teaches people to pay as they go, eliminating those who are unnecessary and bringing the ultimate consumer close to the necessities of life. Of its own necessity it compels the production and sale of goods of a high quality for the ultimate consumer will not manufacture or purchase for his own use that which is deleterious. In this way cooperation has an elevating effect upon other business in the market, causing the latter to keep up a high standard of materials and product. I could give you a number of instances from Europe that would illustrate this, if I had time. Moreover, cooperation stabilizes prices in that when the member of an association gets the profits that would go to the middleman, he, together with all the strength of his associates when buying, selling and distributing in quantities, naturally can affect and steady the market. In teaching people to pay as they go, the cooperative movement in England has been performing a great service.

My friends, I think that as you expand you will do a great work. Whenever your affairs come before the Federal Trade Commission, if they ever do, I am sure that, in so far as the law will permit, you will receive an equal chance with all other distributing systems. I believe that as monopoly grows, its reaction will affect you in such a way that you will

expand beyond your dreams, and that if price control and price-fixing continue in this country, thousands will be forced to join your organization.