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Industrial Recovery in the United States

BY HENRY I. HARRIMAN.

PRESIDENT ARSCOTT:—We are very pleased to have as our guest of honor today, Mr. Henry I. Harriman, of Washington. As you all know, Mr. Harriman is President of the Chamber of Commerce of the United States, and has for several years directed the work of that organization. He has been for many years associated with business and has achieved marked success. I understand Mr. Harriman's cardinal principle in his business creed is that business should formulate its own rules and regulations, subject to government supervision only to the extent of seeing such rules and regulations are fair not only to the trade but the public as well. Mr. Harriman is very intimately acquainted with the programs which are being carried out under the N.R.A. in the United States, and his address today on business recovery in the United States is of great interest to us. I have now much pleasure in asking him to speak to you. Mr. Harriman.

MR. HARRIMAN:—You in Canada and we in the United States are intimately sharing the joys and sorrows, the tasks and rewards, of our efforts to carry forward civilized life in this northern portion of the Western Hemisphere. With many elements of common heritage of blood and customs and manner of thought, we have, under different flags, been doing our best to develop our resources, promote our interests, and raise the level of our social and cultural life. A hundred years ago, Daniel Webster, discussing this task confronting Americans said, "Let us see whether we also in our day and generation may not perform something worthy to be remembered."

Many on both sides of the border have done that in the three generations that have come and gone since Webster spoke, and this generation may, with confidence, say that it also is endeavoring to "carry on."

Interests that are primarily internal within our two countries are always accompanied by other interests that are international in their bearing. And between neighboring countries such as ours the matters of common interest are bound to be very numerous.

Good neighbors usually exchange visits and swap ideas. Certainly across our northern border and your southern border there has been the fullest degree of such exchange in all important fields of human activity. Our institutions of learning, our great professions, our business organizations, and our political institutions have a long record of the freest interchange of experience. Out of such contacts come some of those things "Worthy to be remembered."

Being more happily situated to talk about cooperation in the field of business than in the other very important branches of activity, I want to refer briefly to the progress which is being made by the Canadian Chamber of Commerce and our own organization in joint studies of problems of mutual interest.

As many of you know, there is a joint committee maintained between the two Chambers of Commerce composed of five Canadians and five Americans. These men, representing various types of business and various regions of our two countries, get together twice a year for informal discussions of any important questions.

The committee is still quite young, having held to date only two meetings, one in Washington in the Summer of 1933, one at the Seigniory Club in the Fall of 1933, and with plans for the next meeting in Washington in the Spring of this year. During that short period the committee has, in my opinion, done notable service to further cement the friendly relationships between our two countries. The committee made a study of the operation of the International Joint Commission maintained by our two governments, and has recommended changes in procedure which, it is hoped, will expedite the solution of problems submitted to that Commission.

Your citizens frequently have had difficulty in the United States in having Canadian currency accepted readily, particularly in cities at a considerable distance from the border. In 1930, our Federal Reserve Board took steps to facilitate such acceptance. The Federal Reserve Banks now all handle Canadian currency for the member banks of the system. Although in the past few years the basis of exchange has suffered complications, at the suggestion of the Joint Committee, the Federal Reserve Board is giving further attention to this matter and I understand that appropriate officers in Canada also are giving study to it. This is one of the "good-neighbor" conveniences that I hope we may soon be able to improve further.

In the States we have had frequent complaints about the latitude granted tourists to bring back into the United States from Canada up to \$100 worth of wearing apparel and personal effects without payment of duty. The Joint Committee expressed the hope that Canada would put in a similar customs exemption for returning tourists.

The very wide field of customs regulations and mutual relations is also having the attention of the Joint Committee. It laid down the basic principle that mutual trade negotiations between Canada and the United States "should be conducted on the principle of affording reasonable competition in each other's markets, consistent with reasonable protection to their respective industrial conditions." Naturally between two countries with the huge amount of travel and trade existing between them, a great many regulations tend to grow up. I think you will be especially interested in the principle which the Committee proposes to follow in dealing with all such administrative measures. The Committee recommended "that the standard for each case should at least equal in liberality that of the country which now provides the more liberal regulation for such case." The Committee has also pointed to the importance of a thorough-going survey of trade possibilities between the two nations as soon as there has been achieved, in and between the two countries, such degree of business stability as will permit tariff modifications capable of maintenance over a reasonable period of time.

I shall not go into detail as to the composition of the trade between the two nations. I would, however, draw your attention to several important indicators. In 1932, Canada took 15% of our United States exports, in 1933 that figure had fallen to 12.6%.

In 1932, Canada sold to the United States 13.2% of the United States imports. This figure had dropped to about 12% in 1933.

Our total trade, exports plus imports, with Canada in 1933 was \$395,000,000. In 1932 it was \$415,000,000.

I shall not endeavor to express an opinion as to how far this falling off in trade between our two countries is ascribable to the program of Empire trade promotion. I am quite sure, however, that on our side of the border most business men will look to the Empire trade agreements for the basic cause for the recent decline in trade between our two nations. Political and racial ties are, of course, impelling motives in the solidifying of economic as well as political relationships; we understand quite well the reasons for your Empire program, and yet I would not be truthful if I did not say that we regret that such a substantial proportion of the resulting injury to the trade of other nations appears to have fallen upon our people.

In the United States we have been having much discussion of the extent to which our nation can engage in tariff bargaining. As in the hearing before your own tariff board, so in the hearings before our Congressional Committees and our Tariff Commission, it is always very apparent that protection of essential industries within the nation is the first importance.

From 1855 to 1866 Canada and the United States had a working reciprocal arrangement. Both countries permitted free trade in such natural products as grain, flour, meat, poultry, eggs, butter, lumber, and coal. Manufactured products were not included in this free trade arrangement. In your Tariff Act of 1923 you indicated a desire for reciprocal reduction of duties on products such as cattle, wheat, flour, oats, barley, hay. On our side of the line we should undoubtedly be interested in reduced Canadian duties on manufactured or semi-manufactured

products. At present I can see a complication as respects the agricultural products I have mentioned above, due to the fact that in our country, under our Agricultural Adjustment Act, we are endeavoring to raise the price of agricultural products. When directly competing staple products are involved, it is hard for two countries to work out a tariff bargain—specialties lend themselves more to bargaining.

I have referred briefly to some of these questions in order to show the limitations which there are to bargaining, even between two countries which are neighbors and in which standards of living are approximately the same. Yet the healthy development of trade between our two nations is dependent in great measure upon a careful and well-considered adjustment of our respective economic situations. In a number of lines of industry we already have branch plant investments, timber and mining investments and similar across-the-border linking of business ventures. Certainly as the passing years bring us more experience in adjusting our affairs in individual lines, we can expand that adjustment procedure to cover matters of tariffs as well.

In closing this discussion of reciprocal tariff agreements it is appropriate to mention the very recent message of the President of the United States to Congress requesting that for a limited number of years he be given authority to negotiate reciprocal tariff agreements with other countries, and that in connection therewith he has the right to raise or lower existing tariffs by not more than 50%.

The power to raise or lower tariffs by 50%, given to the Tariff Commission in the flexible clause of the Tariff Act of 1930, prescribed, as a preliminary to such action, the determination of the relative cost of manufacturing the article, on which the rate is to be changed, in the United States and in foreign countries, and tariffs can be altered only to such extent as may be necessary to equalize the cost of production at home and abroad, including, of course, transportation from the foreign market to the United States.

The St. Lawrence river and the Great Lakes afford a

continuous waterway over two thousand miles in length, extending from the Atlantic seaboard to the heart of the American continent. At three points in the St. Lawrence and in the Niagara, St. Clair and St. Mary's rivers rapids or falls form a natural impediment to navigation. All of these obstacles to the free flow of commerce in large vessels have been surmounted by locks or dredging, except in the case of the three rapids in the St. Lawrence river.

Eighteen months ago the United States and Canada signed a treaty for the canalization of the rapids of the St. Lawrence river, subject, of course, to ratification by our legislative authorities. The United States Senate has recently refused its assent.

I am one of those who feel that the treaty was an expression of a sincere desire for cooperative action in carrying out a great public work in which the people of our two countries had a deep interest, and that eventually the St. Lawrence Seaway will be constructed either by mutual action or by your own unaided action.

There were controversial matters in the treaty and there are other ways of opening the river to navigation than the means specified in that treaty. It may also be that the time is not opportune for the carrying out of this great work, but I am sure that at some date in the not too distant future, this great waterway will be completed, and commerce will flow from the heart of the continent to the great sea.

I trust it will be of interest to you if I discuss briefly a few general aspects of the momentous economic program on which we are now working in the United States. In these last twelve months since President Roosevelt came into office we have attacked our difficulties on many fronts—with policies and methods that to many of our people seem not only new but even radical. The new, the experimental, in normal times is ventured upon with more misgivings than confidence or enthusiasm. But by March of last year, after seeing our national income fall in three and a quarter years from eighty-four billions to forty billions, and the number of our unemployed rise from a normal of three million to twelve or thirteen millions, and

the clouds gathering over our banking system, the people of the United States by and large were in a receptive mood for new policies aimed directly at improving economic conditions.

Banking and currency legislation occupied an important position. Following the temporary closing of our banks a year ago came immediate emergency banking legislation, aimed at prompt reopening and assurance to depositors that their deposits were safe. Broad power was placed in the hands of the President with regard to transactions in credit, currency, gold and silver, and foreign exchange. Further measures of banking reform—including provisions for insuring bank deposits—were enacted later in the same session of Congress. In the Autumn of last year the President announced the establishment of a government market for gold and a policy of buying and selling gold on the world market, and early in the present year Congress fixed limits for the gold content of our dollar. The President reduced its gold content by forty per cent. Another early piece of important legislation adopted a year ago was the Economy and Efficiency Act, placing our governmental establishment on short rations and carrying conviction of courageous purpose to check, through economy, the spread between governmental expenditures and receipts.

Many of the early measures in the President's program were of emergency character and designed to give immediate relief and employment. The Civilian Conservation Corps was set up to put three hundred thousand men to work in the forests. Five hundred million dollars were made available for emergency unemployment relief. The Public Works Act placed the huge sum of three billion dollars in the hands of public officials for use in carrying out a great program of public construction. Since the latter was of necessity slow in developing extensive employment—at the beginning of this last Winter the relief program was further expanded by an unprecedented Civil Works Program, to provide temporary Winter employment for some four million men. Another group of measures were enacted to protect various classes of property owners. The Farm Credit Law, the Home Owners Relief Act,

extension of the Bankruptcy Act, and the much-mooted Securities Act, all fall within this classification. But the most important new laws were those designed definitely and broadly to improve the economic and social conditions of the nation, including the Agricultural Adjustment Act, and the National Industrial Recovery Act, and legislation for the legalization of beer and the prompt national action resulting in repeal of the prohibition amendment to the constitution.

I have often heard people point to the distinct up turn in industrial activity in Great Britain, manifest through the last two years, and cite that as evidence that our present policies are unnecessary, and that restored business would have come in the States, as in Britain, without the elaborate program of recovery which we are now working out. I should like to point out to you, however, certain basic facts which entirely differentiate conditions in Britain and the United States, and which, in the last analysis, indicate that Britain in an orderly way, and throughout many years, has been carrying out the reforms which the present economic crisis thrust suddenly upon us.

First, the government of Britain is simple and strong, all power being centralized in Parliament. There is not the divided responsibility that exists in the United States, between the federal and the state governments. Our recent economic program has greatly strengthened and extended the power of our national government.

Second, Britain has no drastic anti-trust laws. Therefore, when the economic crisis came, it was possible for British industrialists to agree, reasonably among themselves, to a reduced production at fair prices, thus preventing the creation of huge surpluses. Indeed, British industrial and agricultural life has, for many years, progressed on orderly lines, with cooperative regulation of the same by industry and the government.

Third, Many years ago, Britain created a sound central banking system, and a sound system for the distribution of capital issues. In Great Britain there have been no bank failures, and no wild orgies of speculation such as existed in our country.

Fourth, Britain being largely an importing country for food stuffs, had no problem of agricultural surpluses. Her agriculture has been stimulated and fair prices maintained, under government supervision.

Fifth, Britain did not have our burden of prohibition, with its accompanying creation of crime syndicate. British criminal and civil law, since the reform of the statutes in 1873, has assured speedy punishment of criminals, and speedy settlement of civil suits.

Sixth, Many years ago, Britain recognized that there was an unemployment problem, for the relief of which there was public responsibility. She met it, in part by the creation of industrial reserves, contributed jointly by the worker, the employer, and the public. The original system of unemployment insurance has been repeatedly changed in the light of increasing experience, and a very comprehensive revision of the Insurance Act is now pending in Parliament. The original system proved inadequate in the great post-war depression, and it was necessary for the government not only to loan sums to the insurance societies, but to give direct aid to the unemployed.

Seventh, Britain has, of necessity, had extremely heavy taxes since the war. This brings home to the people of the country generally that governmental expenditure means something out of their own pocket books. I wish, in our country, we could imitate Britain in that respect.

Eighth, Finally Britain went off the gold standard and accepted the principles of a managed currency three years ago. Possibly she was forced off against her wishes, but I have met no Britisher who has not said that this action has been very beneficial. It was the prompt acceptance of the inevitable.

Thus we see that many essential elements of what we sometimes call the "new deal" in America, are a very old deal in Great Britain. Possibly the prolongation of our economic difficulties, and Britain's recovery, are due to her superior wisdom in anticipating needed economic reforms.

Of all the complex array of new laws in the United States it is the National Industrial Recovery Act that is most in the public mind and is most symbolic of the recov-

ery program. This Act exercises a very wide and very profound influence in our industrial life, our trade in all its ramifications, and our employment conditions, I believe its evolution will interest this audience, since our new program of industrial self-government has in part grown out of experience and conditions with which you in this country are likewise familiar.

We, in the United States, have in the past worked out our problems of labor and our problems of competition in the light of our own buoyant economic prospects, and our Anglo-Saxon traditions of individualism. On the whole there has not been much general planning or working toward program. We were always opening up new territory. Our gates, most of the time, were open to the immigrant. Through much of our history there was free land, and even while industries were growing and city concentration was taking place, the nation's life was in the main, rural. But population increase was rapid. The magic growth of industry after our Civil War, the end of free land, improved methods and equipment in agriculture, led to the greater and greater concentration of population in industrial centres. The problems of industry became of more and more consequence.

As industry grew strong, in the generation following the Civil War, it grew aggressive, sometimes arrogant. Great companies began to resort to practices to strengthen their hold on the markets at which even the most rugged of the rugged individualists of our time would shudder. And out of this course of unbridled competition came our anti-trust law. Here in Canada, even a few years before we enacted our Sherman anti-trust Law, your Dominion parliament had passed the act for the prevention and suppression of combinations formed in restraint of trade. This is a field of legal control in which your country and ours have often proceeded on parallel lines. Our anti-trust laws were aimed at protecting the independents from the trusts, and protecting the public from the greed of monopoly. They were a legal check to monopolization and harmful restraint of trade. They were a natural outgrowth of the conditions that produced them. And they shaped the course of development, for forty years.

Under the anti-trust laws industry steered its course through a continued period of rapid industrial progress, intensified by amazing increases and improvement in use of power and mechanical invention. We went through an excited period of trust-busting. We saw the growth of single corporations of great size by mergers and otherwise. The penalties under the anti-trust laws and the vigilance of our Department of Justice, were sufficient in the main to keep competing firms circumspect and more or less at arm's length.

Competition was the order of the day. At times the competition became so bitter, and again so unbridled, that competitors began to wonder at its wisdom. They saw obvious abuses from which all hands, including labor and the public in the long run, were suffering, and yet in the anti-trust law setting they were timorous about getting together and agreeing upon fair trade practices. In their trade associations competitors were working out many vexing problems of production and distribution. Standardization of product, eliminating excess varieties and various forms of waste, uniform cost accounting methods: these subjects were lawful, and they were profitable elements in good trade association programs. But when it came to other competitive practices, the competitors often took another look at the anti-trust laws and decided that joint action was impossible. An approach to correction of these abuses was made in conferences with our Federal Trade Commission. But authorities and sanctions for such procedure were often hazy, and while there was marked progress in the way of discussion and agreement on things that ought to be done, the hoped-for correction was frequently not achieved.

At this point our industry stood when the prolonged depression came. Business men endorsed the trade practice conference and urged federal legislation to make it effective. They bespoke revision of the anti-trust law to permit agreements tending to keep production in balance with demand, with governmental supervision to safeguard the public interest. They sought to make the trade association's field for planning and joint action more constructive.

These things, in substance, the National Industrial Recovery Act recognizes and makes provision for. The operation of the anti-trust laws has been suspended so far as codes approved under NIRA are concerned. The trade practice agreement is fundamental in code programs. And the trade associations are largely the mechanism through which the codes are being evolved and carried out. The charter to engage in constructive competition has been curtailed. The National Industrial Recovery Act was concerned with removing the obstacles to orderly trade, based on code principles of fair competition. It was also concerned with promptly expanding employment, providing more jobs and stimulating customer buying. The act placed restrictions on the freedom of the individual. A code, once adopted and approved, applied generally, the individual business man, who disagreed with the program worked out by his fellows and incorporated in a code, must yet submit and conduct his business on the lines prescribed. Not that the codes were rigidly uniform in their prescriptions, or inconsiderate of differing circumstances within the industry. On the contrary, they were drafted with an eye to such conditions and with the ideal of assuring fair treatment. In this lies one of the great advantages which our business men find in self-government as distinct from bureaucratic control. The codes have very much of the experimental about them. Administered by men who are themselves in the industries, they are subject, with official approval, to revision and change.

Three weeks ago in Washington there took place two sets of conferences, one of them open to the public, and the other confined to members of code authorities and members of code committees of trade associations. The first public conferences gave an opportunity for everyone who had suggestions to make. The second conference that of the code authorities and members of code committees of the trade associations, gave more concentrated attention to the code provisions that have been adopted by the various industries and trades and suggested ways and means for their improvement and for assuring more successful administration of codes.

The Industrial Recovery Act provided for the establishment in codes of maximum hours of work per week and for minimum rates of pay. Here was further restriction of the freedom of action of the individual employer. But in the period of desperate competitive practices through which we had recently passed, the long day, and the unreasonable low rate of pay of workers, have been among the sharpest tools of the buccaneering competitor. And, finally, the Industrial Recovery Act provided for recognition by employers of collective bargaining on the part of their employees. I have discussed this subject in detail on a number of occasions.

In this Industrial Recovery Act, then, we feel that we have been treading the way not of government regulation and government control, but rather of self-regulation under government supervision. There are sacrifices of individual freedom that have to be made to carry out such a program. To my mind, however, it can be carried out without surrender of a very wide legitimate field where individual initiative may continue to have fullest sway. Competition continues, but in a more wholesome atmosphere. It is a competition where merit, and quality of service will count more. Who can question the opportunity it offers for the new, the improved, the more artistic, the more economical? To my mind also this program can be carried out without leaning more and more on government, without the building up a great bureaucracy in government that will make continuing drains on the taxpayer. To test out the full possibilities of this new course upon which we have started in the United States, calls for the best contributions of individuals and of organizations—trade associations and Boards of Trade and Chambers of Commerce. If we are going to have self-regulation and not government regulation in the place of the former system, then our business men and organizations must adequately supply the "self" element.

There came to my attention recently the annual report of one of our big trading corporations. It showed that where there had been a net loss in 1932 of several million dollars, 1933 had wound up with a net profit, slight, but

still a profit. In the first six months of 1933, the company had shown a loss of over two and a half million dollars. In the last six months of the year that loss had been more than overcome. At the end of 1932 that company had about eighteen thousand workers on its payrolls. On December 31, 1933, it had over twenty-two thousand regular employees working. This had coincided with the period that the NIRA had been effective. The President of the company said he did not know the answer to the question often asked as to whether the improvement was due to the NRA, but in any event there was an improvement.

Three sets of figures may be cited as significant of the better industrial and economic conditions we are experiencing, to wit: the wholesale price index of industrial activity, and the average of common stock prices. As of February 1st, 1934, wholesale commodity prices stood at an index figure of 72.8, compared with 60 for the corresponding date a year ago. The index figure for industrial activity had risen from 65 on February 1, 1933, to 78 on February 1, 1934. And the average price for nearly 800 common stocks had gone up from \$16.27 in 1933 to \$27.48 in 1934.

The extent of the rise during the twelve-month period is impressive in all three categories, but of particular interest is the rise in wholesale commodity prices. Seven hundred and eighty-four commodities are included in the Labor Bureau's list, and these are divided into ten general groups. Chemicals made the smallest gain in price, to wit, 4%; household goods rose about 13%; food prices advanced 23%; hides and leather, 33%; textiles, 49%, and farm products by approximately 50%. Your own wholesale price index moved somewhat similarly to ours, registering its low point, as ours did, in February a year ago. It did not go so low as ours, and has not gone quite so high this year.

It is, of course, possible to appraise the change in economic conditions that have occurred during the preceding year in the terms of statistics; but of greater importance is the change in the way in which men and women feel and think. A year ago, men were living from hour to hour in

the midst of a crisis of enormous proportions, and all they could think of was how they could survive; today, they are debating the problems of long-time construction. A psychology of fear has been replaced by a psychology of hope, and people are now discussing, not whether we shall survive the crisis, but how we should proceed.

In public life and in industrial and trade circles in the United States men and women are putting forth their best efforts to assure continuance of the marked improvement of conditions, to see, as Webster said, "Whether we also in our day and generation may not perform something worthy to be remembered?"

PRESIDENT ARSCOTT:—Gentlemen, I will call upon J. M. Macdonnell, President of the Board of Trade, to make response on our behalf.

MR. MACDONNELL:—I am sure the thanks you have already received by the applause which followed your remarks needs no addition by any words of mine. Yet, if I might venture for a moment to interpret the thanks which I know are in the hearts of us all, what I would say is this. We think it is a fortunate thing men of your type have come into public service and are giving their time, as you are. Secondly, we are grateful to you for taking the time to come here and talk to us. You and we have the same language, your problems are our problems, therefore, we are grateful to you for a clear and penetrating light which you have thrown on these huge questions. We recognized your sympathetic approach to them. We recognize the courage you and your country are showing in grappling with these unprecedented problems by unprecedented means. For myself, I was glad that in addition to other measures you mentioned, you referred to one which, in my opinion, is very necessary and that is the opening up of the channels of trade. We thank you very much.