

p. 3

CAUTION - RELEASE ON DELIVERY

OUR PART IN RECOVERY

ADDRESS

of

JOHN W. HANES

COMMISSIONER, SECURITIES & EXCHANGE COMMISSION

at a

Meeting

of the

COMMONWEALTH CLUB OF CINCINNATI

Thursday, May 5, 1938

41876

OUR PART IN RECOVERY

I am deeply appreciative of the honor you do me by your presence here tonight. I am sincerely grateful to you. It has been a pleasure to have had the privilege of knowing some of you for a considerable time, and of meeting many more of you on this visit to your city.

In reaching a decision to speak to you tonight on "Our Part in Recovery", I made up my mind that I was going to speak to you frankly, if not wisely. I have little talent for indirect speech.

I find myself tonight somewhat in the condition of the late Sam Jones -- an outstanding Methodist preacher of Georgia -- when he was a guest at a banquet of Methodist preachers and bishops in New York City a good many years ago. 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 tonight, 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.

Only a little more than three months ago I came down to Washington from New York to accept appointment as a member of the Securities and Exchange Commission. I was, and am, deeply interested in the work and the problems of the Commission. I had already learned something about it. It had for sometime been telling me how I could, and how I could not, run my business. Many of its suggestions and regulations I had already come to accept as sound because I felt that I am one of the large majority of men in business and finance who have, for a long time, held the firm belief that we in business and finance are more than blind if we do not recognize the incontestable fact that our right to survive is measured by our ability to contribute to the needs and the welfare of the public.

In addition to my sincere interest in the job the Commission was doing, I admit to the timid hope that with my background and experience in business and finance I might make some contribution to the efforts that were already being made toward coordinating the business mind and the government mind; toward bringing into government more of the views and ideals and aspirations of business, and toward eliminating some of the sharp contests and conflicts that had grown up between business and government.

I assumed that government was striving for recovery. I knew that business men were striving for recovery. I believed that this was the sincere aim of all our people. Yet I knew that we had been moving in opposite directions in many of our efforts. Surely, I felt, there must be some common ground for free men in a democracy to utilize the best of the inheritance, the ideals and aspirations of a free people living under a great Constitution to cope with their common problems.

It is interesting 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 that there were a number who were quite dissatisfied.

It seems to me that 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 our 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.

I have held to the belief I have had for many years, that in the fundamentals, government, business and the people are not three distinct entities, but are essentially interwoven; that government is a part of business, that business is a part of, and is essential to, government; and that the welfare of the public is the interest of both.

On April 14, the President of the United States addressed the nation, calling upon citizens in all stations and walks of life to unite with him in an effort to put this nation on the road to recovery. This message did not "point with pride" nor "view with alarm". The President was tolerant, sympathetic and conciliatory in his approach. As he painted a picture of conditions in the nation, his words were realistic and full of sincerity. He asked every one of us to work together "to move the life of the nation forward".

We heard the President say that we have the materials of recovery, but that we need more -- that we need a united national will. We listened to him say "government cannot and should not act alone. Business must help.

I am sure business will help". We listened to him say that "reconciling differences cannot satisfy everyone completely". I was impressed to hear him say "to abandon our purposes of building a better and more stable and more tolerant America would be to miss the tide and perhaps to miss the port".

It seemed to me that this speech of the President offered the opportunity and summoned business to the task of coming forward with cordial, genuine and determined cooperation. I found that my associates at Washington had pretty much the same opinion and I found that a number of my friends and former associates in business held the same view. "If we think this way", I said to one of them, "why don't we say so". He replied, "I will say so". Then I asked another, and another, and another. In turn, each said, "I am ready to accept the invitation of the President". These men along with a number of others then decided that it was time to let the President and the country know that they were ready to go to bat. They discussed the idea among themselves. They had conferences over the telephone. They agreed to, and signed, the following -- which I want to read to you:

"We gather from the President's words that he recognizes that we live under an industrial system in which there must be full opportunity for legitimate profits. This industrial system cannot function unless there is continuous activity and steady production. It is the responsibility and desire of business to maintain that activity to the fullest extent commensurate with sound practices. It is the responsibility of government to protect and to encourage the proper functioning of business.

"Wide but honest differences of opinion exist as to ways and means, but 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. The effort to attain this goal requires the cooperation of every member of the community. It seems to us most important that we should all resolve to encourage the President in every effort he shall make to restore confidence and normal business conditions, and to support Congress in the position that its legislative program should be directed toward national recovery for employer and employee alike.

"We pledge ourselves to aid to the full extent of our ability in such efforts. And we heartily endorse the words of the President, 'Let everyone of us work together to move the life of the nation forward'."

It will be observed that this pledge did not undertake to tell the President what he ought *not* to do, that it did not purport to condemn what had been done, that it refrained from controversy and was free from partisanship. It said, in a word, "Mr. President, we accept your invitation and, without quibbling, we enlist to achieve your stated purpose." As a business man, it is my own personal view, and I feel it is my duty and the duty of all groups and classes, to meet the expressed tolerance of the President with tolerance; to meet his conciliatory appeal with a conciliatory answer.

I personally believe that the salvation of this country lies not alone in any particular piece of legislation nor solely in the spending of billions of dollars. For all of these things will be futile if business men, both big and little, do not bury their differences with the government, and with each other, and cooperate in putting the wheels of industry to turning again. I think we can perform a service to our government by trying to remove from the public thinking the growing distinction between big business and little business. Business in America is so interwoven and dependent that it is perfect folly to think that little business can live in one atmosphere and big business in another.

So-called big business is the Mississippi River of our industrial life, but little business may be likened surely to its tributaries. How long would it take the Mississippi to become a barren ditch if its tributaries ceased to flow? It takes a vast water-shed of branches, creeks, lakes, and rivers converging to make the Mississippi. And I devoutly wish that in our public thinking and action we could consolidate our purposes for recovery and forever divorce in our national policy the thought that we can have permanent recovery in America by developing a philosophy that little business and big business are alien as we struggle for complete unity of private enterprise.

In this critical hour, I wish to speak to the leaders of industry and finance who have not seen eye to eye with the Administration in Washington. You may object to many of the remedies that have been proposed to cure our current economic ills. You may question seriously the ability of the Federal Government to lift the economic status of this nation through public spending. You may be impatient with the views of some who have thought that they could cure the ills of our economic body by the magic of legislation. Many of you have prided yourselves upon your independence.

But surely even those who value their freedom of action and freedom of expression realize that only by cooperation can these things be preserved and that the most rugged individualist in the world may, by carrying his philosophies to excess, lose the very freedom that he prizes so highly. It is not necessary for us to say what kind of citizens we are. It makes little difference whether we are Democrats or Republicans, or whether we are classed with big business or little business. It makes little difference whether we are a laboring man or a capitalist, a farmer or a storekeeper. If we are truly good Americans, we cannot fail to recognize that the supreme issue in America today is the issue of recovery -- genuine economic recovery, with our people employed at more than a mere living, our industry humming, legitimate business making a reasonable profit, our multifold services ministering to human needs with a margin of economic security and with equal justice to every citizen of the United States.