

fied. We have become a sadly divided America. In the words these groups use and the reprisals they undertake, they have brought us fear, confusion, worry and distractions. If every group gets all they ask for, nobody will get anything. Do these things make for economic security or equal opportunity? There are considerations of government far higher than money or comfort. That is its relations to moral and spiritual values. Part of these Planned Economy measures are a surrender of the spiritual for the material. Part of them proceed by unmoral steps. No government can reform the social order unless it sets higher standards of morals and rectitude than those whom it governs.

“I ask you, is there economic security without moral security?”

“American young men and women should have the right to plan, to live their own lives with the limitation that they shall not injure their neighbors. What they want of government is to keep the channels of opportunity open and equal, not to block them and then send them a tax bill for doing it. They want rewards to the winners in the race. They do not want to be planed down to a pattern. To red-blooded men and women there is joy of work and there is joy in the battle of competition. There is the daily joy of doing something worthwhile, of proving ones own worth, of telling every evil person where he can go. There is the joy of championing justice to the weak and downtrodden. These are the battles which create the national fiber of self-reliance and self-respect. That is what made America. If you concentrate all adventure in the government, it does not leave much constructive joy for the governed...”

“No system can stand on pure economics. The economic and social gears must be enmeshed. The primary objective of our system must be to eliminate poverty and the fear of it. Men cannot be free until the minds of men are free from insecurity and want. But security and plenty can be built only upon a release of the productive energies of men. Moreover economic security and even social security can be had in jail but it lacks some of the

attractions of freedom....

“The economically successful must carry the burdens of social improvement for the less fortunate by taxes or otherwise. Child labor, health, sweated labor, old age, and housing are but part of our social responsibilities. The nation must protect its people in catastrophes beyond their control.

“This is no philosophy of laissez-faire or-dog-eat-dog. It is a philosophy of free men with the responsibilities of freedom. It requires no tampering with the Constitution or the independence of the Judiciary. It is a system of faith in the competence, the self-discipline and the moral stamina of the American people and the divine inspiration of free men. It is a system of forward movement to far greater attainment.

“Our transcendent need at this moment in America is a change in direction toward this system. A confident, alert, alive and free people, enthused with incentive and enterprise, can quickly repair losses, repay debts, and bury mistakes. It can build new opportunity and new achievement.”

William O. Douglas on Small Industries

Before he was appointed to the U.S. Supreme Court, William O. Douglas served in a variety of appointed regulatory positions under President Franklin D. Roosevelt. On February 1, 1938, as chairman of The Securities and Exchange Commission, he addressed The Chicago Economic Club and talked about small industry.

“Strangely enough many people fail to understand how extremely important small industry is to our whole economy. It takes no statistical analysis to indicate the enormous importance to our nation of the industry employing from 100 to 200 men and women. Out of a total of 411,000 corporations reporting balance sheets and filing income tax returns in 1934, 386,000 had total assets of less

than a million dollars. Thus, the corporations with less than a million dollars of assets were almost 95 percent of the total corporations. Large industry itself is to a large extent dependent upon small industry for its raw materials and for its markets. The small industry in most small cities and towns in the country is our basic foundation.

“Small business in the country has almost invariably been financed by plowing earnings back into business, by commercial bank credit, and occasionally by private financing. The very high percentage of risk which is involved in many of the offerings of small and unseasoned companies poses the question as to whether the public, and especially the small investor, should be urged to invest savings in this type of security. Naturally commercial banks, whatever their attitude may be toward established companies, cannot be expected to extend credit to a new and unseasoned business. But though the small company is seasoned it may still experience great difficulty in reaching the capital markets. There is thus a void in our capital machinery.

“There are throughout the country old, well-established companies which have given work to the citizens of their communities for years. Some have found that they can no longer compete with the larger ones unless they undertake extensive modernization. Such companies, and we have talked with the executives of many, must either restrict their activities to their most profitable lines on the present basis of operations – which of course means laying off men – or they must install up-to-date production methods. Others need capital to take advantage of new markets which lie at their doors. You must know of such companies, and the men at the head of them, in this great Chicago area. Yet investment funds here are likely to go to New York and into our national industries. The same thing is true of the investment funds of other cities throughout the country. Looking at it broadly, it means that while our national economic welfare rests on the welfare of small business, our national financial machinery is geared almost exclusively to large business. This is not a new problem. It is an

old one. It is pressing at the present time especially because of the paralysis of our capital markets.

“As I have said, essentially it is a national problem which presses for local solution both here in Chicago and in other communities. You know the industries in your community which need capital, and you know whether their need is deserving. Furthermore, you know to what extent the welfare of the entire community rests upon the welfare of the local industry. It may be that what is needed is a reappraisal of the standards upon which investment is made and loans are granted. It may be found that the risks which lie in our own backyards here in Chicago are just as good as the ones which have become glamorous because they have caught the fancy of larger markets.

“Frankly, I seek your counsel and advice on this problem of financing the small company. We see the problem sharply focused in Washington. Small businesses must not be suffocated. In a capitalistic system dependent on individual initiative and freedom it must be served first. Can the ideal solution be found in the machinery of our capital markets? Can there be found or developed locally reservoirs of capital for the legitimate needs of small business? Or, as a measure of last resort, should the federal government do the job? We need business statesmanship on this pressing problem. We know that the glib answer that the Securities Act of 1933 has caused this closure of capital markets is not the correct one. For we know that these problems of small business antedated that Act. In a sense, they have always been with us. But their acuteness has been increased over the years by the growth of bigness. Their importance has been marked because of current problems of unemployment and relief. Opinions on causes and remedies will vary. I leave the problem with you, as it is one of the paramount aspects of a balanced regional economy.

“We in Washington are your servants...

“This is not to imply that it is our function or desire to urge the erection of arbitrary areas of business

relationship nor am I proposing any program of economic planning. I merely appeal to the ample supply of brains, imagination and courage which is here to solve this problem for Chicago...

“There is...a great opportunity on which local banks, insurance companies, dealers, brokers, investment advisors, and business men should be able to capitalize. Leadership to do it is here. It can be done in the same constructive way in which the Chicago Stock Exchange has led the way on its problems. I hope it is done. It is an affair of business, not of government. But you will find in us a strong ally and a faithful servant if you will lead the way.”

**Harold E. Stassen:
Toward a More Effective Democracy**

The Honorable Harold E. Stassen was governor of Minnesota when he addressed The Economic Club of Chicago on May 24, 1940, on the role of government in the economic life of the community.



“If democracy is to meet the challenges before it, then democracy must find the way to become more effective, without surrendering its basic principles and the basic rights of an individual, sovereign citizen.

“The answer to any new problem that arises, or the answer to those problems that now exist, is not to shrug our shoulders and say ‘Let the government do it.’ That is not the sound answer, if we are to be concerned with basic trends and future policies...

“The approach of government must, rather, be, as to a problem that arises: first and foremost, can the problem be solved by private enterprise and individual initiative without government, even

though it may take some time in the process of development and adjustment? Does there, upon analysis, appear to be a reasonable chance of the problem being solved, being worked out? And, if not, then not how much can government step in and take over the power, but how little power is it necessary for government to take in order to coordinate with the private enterprise and solve the problem? In other words, basically, government must be an aid to private enterprise and individual initiative, and not a substitute for them.

“Taking up specifically the problem of labor relations, we all recognize it is one of the very difficult phases arising from the high industrialization of this country. We recognize it as a problem and an obstacle through the loss that has been caused by strikes and lockouts and violence, a loss that has gone not only to the wage earners and their families and to the management and ownership and its stockholders, but also has gone out to the general public, and has been an obstacle standing in the way of the adjustment of social and economic problems and working out the sound basis for economic progress.

“We approached that problem in Minnesota a year and a half ago without any labor relations law at all upon our books. We had before us proposals such as the National Labor Relations Act and proposals, on the other hand, of a very extreme taking over of governmental power in order to crack down on labor. We approached it with the assistance of the best intelligence we could marshal from our educational institutions, from our industrialists, from our sounder labor leaders, in keeping with the basic thoughts that I have discussed with you, and that is how little power was it necessary that our State government take in order to be of aid in working out this difficult relationship of labor to capital in Minnesota—a relationship that had been more than strained for some period of time.

“We developed from that approach this labor relations law: First and foremost, the government would take unto itself no power to decide or to decree what the working relationships and wages