

# Message to Congress on Curbing Monopolies April 29th, 1938

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To the Congress:

Unhappy events abroad have retaught us two simple truths about the liberty of a democratic people.

The first truth is that the liberty of a democracy is not safe if the people tolerate the growth of private power to a point where it becomes stronger than their democratic state itself. That, in its essence, is Fascism—ownership of Government by an individual, by a group, or by any other controlling private power.

The second truth is that the liberty of a democracy is not safe if its business system does not provide employment and produce and distribute goods in such a way as to sustain an acceptable standard of living.

Both lessons hit home.

Among us today a concentration of private power without equal in history is growing.

This concentration is seriously impairing the economic effectiveness of private enterprise as a way of providing employment for labor and capital and as a way of assuring a more equitable distribution of income and earnings among the people of the nation as a whole.

## THE GROWING CONCENTRATION OF ECONOMIC POWER.

Statistics of the Bureau of Internal Revenue reveal the following amazing figures for 1935:

Ownership of corporate assets:

Of all corporations reporting from every part of the nation, one-tenth of , per cent of them owned 52 per cent of the assets of all of them;

and to clinch the point:

Of all corporations reporting, less than 5 per cent of them owned 87 per cent of all the assets of all of them.

Income and profits of corporations:

Of all the corporations reporting from every part of the country, one-tenth of, per cent of them earned 50 per cent of the net income of all of them;

and to clinch the point:

Of all the manufacturing corporations reporting, less than 4 per cent of them earned 84 per cent of all the net profits of all of them.

The statistical history of modern times proves that in times of depression concentration of business speeds up. Bigger business then has larger opportunity to grow still bigger at the expense of smaller competitors who are weakened by financial adversity.

The danger of this centralization in a handful of huge corporations is not reduced or eliminated, as is sometimes urged, by the wide public distribution of their securities. The mere number of security-holders gives little clue to the size of their individual holdings or to their actual ability to have a voice in the management. In fact the concentration of stock ownership of corporations in the hands of a tiny minority of the population matches the concentration of corporate assets.

1929 was a banner year for distribution of stock ownership.

But in that year three-tenths of , per cent of our population received 78 per cent of the dividends reported by individuals. This has roughly the same effect as if, out of every 300 persons in our population, one person received 78 cents out of every dollar of corporate dividends while the other 299 persons divided up the other 22 cents between them.

The effect of this concentration is reflected in the distribution of national income.

A recent study by the National Resources Committee shows that in 1935-36:

47 per cent of all American families and single individuals living alone had incomes of less than \$1,000 for the year; and at the other end of the ladder a little less than 1 1/2 per cent of the nation's families received incomes which in dollars and cents reached the same total as the incomes of the 47 per cent at the bottom;

Furthermore, to drive the point home, the Bureau of Internal Revenue reports that estate tax returns in 1936 show that: 33 per cent of the property which was passed by inheritance was found in only 4 per cent of all the reporting estates. (And the

figures of concentration would be far more impressive, if we included all the smaller estates which, under the law, do not have to report.)

We believe in a way of living in which political democracy and free private enterprise for profit should serve and protect each other—to ensure a maximum of human liberty not for a few but for all.

It has been well said that "the freest government, if it could exist, would not be long acceptable, if the tendency of the laws were to create a rapid accumulation of property in few hands, and to render the great mass of the population dependent and penniless."

Today many Americans ask the uneasy question: Is the vociferation that our liberties are in danger justified by the facts?

Today's answer on the part of average men and women in every section of the country is far more accurate than it would have been in 1929—for the very simple reason that during the past nine years we have been doing a lot of common sense thinking. Their answer is that if there is that danger it comes from that concentrated private economic power which is struggling so hard to master our democratic government. It will not come as some (by no means all) of the possessors of that private power would make the people believe—from our democratic government itself.

## FINANCIAL CONTROL OVER INDUSTRY

Even these statistics I have cited do not measure the actual degree of concentration of control over American industry.

Close financial control, through interlocking spheres of influence over channels of investment, and through the use of financial devices like holding companies and strategic minority interests, creates close control of the business policies of enterprises which masquerade as independent units.

That heavy hand of integrated financial and management control lies upon large and strategic areas of American industry. The small business man is unfortunately being driven into a less and less independent position in American life. You and I must admit that.

Private enterprise is ceasing to be free enterprise and is becoming a cluster of private collectivism: masking itself as a system of free enterprise after the American model, it is in fact becoming a concealed cartel system after the European model.

We all want efficient industrial growth and the advantages of mass production. No one suggests that we return to the hand loom or hand forge. A series of processes involved in turning out a given manufactured product may well require one or more huge mass production plants. Modern efficiency may call for this. But modern efficient mass production is not furthered by a central control which destroys competition among industrial plants each capable of efficient mass production while operating as separate units. Industrial efficiency does not have to mean industrial empire building.

And industrial empire building, unfortunately, has evolved into banker control of industry. We oppose that.

Such control does not offer safety for the investing public. Investment judgment requires the disinterested appraisal of other people's management. It becomes blurred and distorted if it is combined with the conflicting duty of controlling the management it is supposed to judge.

<http://www.presidency.ucsb.edu/ws/index.php?pid=15637>

