1932-03-15

Memorandum: Everett Case, March 15, 1932

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Chapter 13 - page 5, last paragraph:

It seems to me it is less to the point to say that Mr. Young "believes in big business", "believes in international business" than to say that he accepts the fact that business has become big and international. That is a situation which one has to face. Business is intrinsically good or bad. The question is what one does with it, whether management makes of these companies instruments of public service. Insofar as business tends towards concentration of power, it has elements of danger, no doubt; on the other hand the conspicuous position which a large company like the General Electric Company holds in the public eye tends to make it highly sensitive to public opinion. In other words, it is no less true in the industrial field than elsewhere that as power increases so does responsibility.

Certainly it is misleading.

It is not true to say that Mr. Young believes in "monopolies in the case of communications". I would like to make very clear what I conceive to be his views on the whole question of monopoly and government regulation. This is pertinent not only to this page, but, I think, to other pages in the book.

(1) Generally speaking, fair competition is the normal regulating factor for business. Destructive or "cut-throat" competition can sometimes be avoided by voluntary agreement; where that is impossible, protection must be sought from the law and the courts. In general it is their duty to maintain fair and reasonable competition, for combinations which create a monopoly evade the restraining and regulating force of competition.
(2) There are certain kinds of service where, by common consent, competition is so expensive as to be ruinous and a virtual monopoly is generally conceded to be in the public interest. The Telephone Company is a case in point. Although the light and power people - the public utilities - maintain that they have to compete against gas, coal and other kinds of fuel, they do have for their commodity and in their district a virtual monopoly. Where such a situation exists, some substitute must be found for competition as a regulating force, and government seems to offer the only feasible substitute. Therefore Mr. Young insists that monopolies must submit to government regulation and that that regulation must be effective in the public interest.

(3) Mr. Young has never advocated, and I cannot conceive of his advocating, a monopoly of communications as such. He did suggest before a Senate committee in Washington that in the field of foreign communications the position of America would be strengthened if cable and radio might be unified. He said that they had been so unified in all the principal foreign countries and that if these countries could play our cable and radio companies against each other, the American companies were obviously put at a disadvantage. He felt that such action was imperative in the foreign field.

In the domestic field he felt that certain modifications of the present situation, while not imperative, would be helpful. He pointed out to the extravagance of our maintaining two telegraph companies, each with an expensive overhead, duplicate offices and duplicate messenger boys to
maintain. He felt that just as the telephone company was organized to deal with communication by word of mouth, so a single radio telegraph company might well be the instrumentality for handling record communications other than that handled by the mails. Such a company would offer real competition to the telephone company, although each having a virtual monopoly in its respective field, would be subject to government regulation.

I elucidate these views at some length, for while they may or may not be important in themselves, I do think it is misleading merely to say that Mr. Young believes in a monopoly of communications, without explaining what a limited and carefully circumscribed monopoly he would be prepared to advocate. It is particularly important that his views be clearly defined in view of the present suit brought against the Radio Corporation under the anti-trust laws.

E.N.C.