41. Government Promotion of Business

U.S. Bureau of Public Roads

Since its earliest days the American government has interested itself in the promotion of business. Indeed, the very drafting of a new Constitution was stimulated by those who wished a government that would promote the business of the entire thirteen States, so as to supplant a regime that allowed each State government to promote the business of its own inhabitants at the expense of the inhabitants of the other twelve States. The Philadelphia Convention of 1787 included many men engaged in industry, trade, or finance, who, although they certainly had other intentions as well, planned to create a national government that would block the States from taxing each other's commerce to death.

The present Constitution, with its authorizations of federal control over interstate and foreign commerce, was in part the consequence of their wishes.

The government, then, is empowered to promote business in a number of ways: it may protect property, impose preferential taxes, grant subsidies, extend credit, construct facilities for commerce, and provide technical aid and information. The national government began to exercise these permissive powers from the earliest days of its existence; Alexander Hamilton's first program, recommending means for combatting inflation and the levying of a tariff, was frankly aimed at the promotion of business. Since that era the government has greatly expanded these activities. Thus it may be said that for more than a century and a half the American national government has been a "welfare state" for industry, commerce, and finance.

PROTECTION OF PROPERTY

The federal Constitution and its Amendments arrange for several ways in which the federal government is to protect property; however, it is noteworthy that the word "property" itself does not appear until the Fifth Amendment. Some of these protections, especially those related to slavery, today have no force; they have in effect been repealed by the Thirteenth Amendment. Others, which prohibit a State from passing a law that breaks a contract, and forbid both the federal and the State governments from taking property save by due process of law, have been discussed elsewhere in the text. There are certain other important protections that should be dealt with at this point.

Protection of interstate and foreign commerce

The United States government protects all interstate commerce and all peacetime foreign commerce issuing from, or aimed at, its shores. Any commodity in interstate or foreign commerce is the property of some person; by extending its shelter over such items the federal government certainly promotes business. With respect to foreign commerce, at the time the Constitution was adopted this protection could be related to the menace of piracy, which was fairly common at the time; owing to this authorization Thomas Jefferson was able to wage war against the Barbary pirates of the Mediterranean during his presidency. Today piracy is comparatively rare. Yet from this clause a basis can be found for defending American overseas trade against any sort of attack, whether or not piratical; for example, President Wilson employed this protective authority in 1917, citing German interference with American transatlantic shipping as his principal justification for asking Congress to declare war.

The Kew Gardens Interchange, New York City. The most complicated interchange in existence. In one 24-hour period, the traffic using the interchange in all directions amounted to 194,884 vehicles. Federal assistance to the interchange amounted to $6,594,000 on 26 federal-aid projects over 21 years of time.

Federal control over interstate commerce appears to have been at first designed to restrain State governments from tampering with such trade. Ultimately, thanks to this protection, the United States became the largest free-trade area in the world. This freedom of commerce has doubtless been a major factor in contributing to the wealth of the American people. Yet, in spite of the national advantages of this unrestricted trade, today a number of States place bothersome restrictions upon commerce with other States. For example, a truck going from State to State has to satisfy the special rules of each State regarding weight, height, length, number of lights, licenses, and other traits. As another instance, California even stops all private automobiles to insure that their passengers are not bringing pest-ridden vegetables and fruits across the State line. The delays and interferences act to discourage traffic in such commodities. Inasmuch as the State may claim to be only performing its reserved police power of barring insect pests, there is little that the national government can do to break down these barriers.

Patents, trade-marks, and copyrights

Patents, trade-marks, and copyrights are all tokens of property that are protected by the government. A patent is a grant of the exclusive right, for a limited time, to use a certain process or to manufacture a certain commodity. It is conferred upon the inventor or discoverer of a "useful" contrivance (perpetual-motion machines cannot be patented), production method, or variety of fruit or vegetable. Patents are administered by the Patent Office in the Department of Commerce. One seeking a patent supplies the Office with an example of his device. The Office then studies the device, primarily to determine whether or not it is in fact a new device or simply a modification of a previously patented object. If the Office decides that the object satisfies all requirements, it confers the patent upon payment of a fee by the inventor. He may permit others to use his contrivance, but possession of the patent authorizes him to charge a royalty for this use. After the lapse of seventeen years the device becomes public property, or part of the "public domain."

A trade-mark is a label that identifies the products of a specific manufacturer. It is a valuable property, since it may identify the product more readily than the name does. A trade-mark may be registered with the Patent Office, at which time the possessor obtains exclusive rights to its use for twenty years. The mark then becomes public domain. As with a patent, a trade-mark must be protected by its owner, who brings a civil suit in the event of infringement.

A copyright is the grant of an exclusive right to "an intellectual product" such as a book, magazine article, song, or photograph. Copyrights are administered by the Copyright Office in the Library of Congress. A person seeking a copyright must submit two copies of his work to this Office, which thereupon grants a copyright for the payment of a fee. The process of granting a copyright differs from that connected with a patent, in that the Copyright Office makes no investigation to determine the originality of the publication. Any person who believes that another publication has copied,

or plagiarized, his work, may bring suit for damages. A copyright lasts for twenty-eight years, and may be renewed once. After fifty-six years, then, a copyrighted item must enter the public domain.

Bankruptcy laws

Bankruptcy laws establish an orderly procedure whereby creditors may regain as much as possible of their property from an individual or organization that is crushed by debt. They also set a limit to the penalties that can be inflicted on persons who become bankrupt. Whereas the States once controlled bankruptcy proceedings, the federal government now regulates them. The proceedings are administered by federal district courts. They may be initiated either by the debtors or the creditors. After a petition for bankruptcy has been filed with the appropriate court, the court appoints one or more "referees in bankruptcy," persons competetent to analyze the assets of the debtor, so as to calculate how much they will be worth if sold. These assets may then be sold, the creditors usually receiving shares in proportion to the amounts owed them.

Sometimes, however, in the case of industries the assets are not sold; instead the business continues to operate. It is under court control, however, to insure that it has a chance to pay its debts without the harassment of creditors' suits, and also that its receipts are used as much as possible to pay its creditors. In this manner federal courts manage a large number of businesses, often adding a great burden to their judicial responsibilities. The Chicago streetcar system is an example of a bankrupt company that continued in business for many years under court jurisdiction.

It is noteworthy that, when a large company is bankrupt and operated under court direction, frequently the control does not change hands; rather, there may be only a reorganization of the corporate structure, leaving most of the same people in charge of the concern. Observers of this practice find justification for it in the fact that the original directors know more about the functioning of the company than anyone else, and that they are most likely to be able to operate the company in such a fashion that it can liquidate some or all of its debts. On the other hand, they may sometimes use their advantageous position to continue their incompetent practices under the protection of the court.

It might be said that federal bankruptcy laws were designed originally to obstruct certain kinds of business, rather than to promote business. Certainly a strong reason for giving Congress the power to establish a uniform law of bankruptcy was in order to stop the tendency on the part of some State governments to let bankrupts off scot-free. Hence perhaps it is best to regard the power vested in the government as a power aimed at benefiting established and responsible businesses and at preventing States from giving special favors to debtors.

TAXATION

Taxation is often employed as a device for promoting business. It might appear that under any conditions taxation should be a hindrance rather

than an aid to business. But granted that taxes are as inescapable as death itself, the ways in which taxes are levied and collected can restrain some businesses and help others. It is the incidence of taxes that makes them promotional devices.

The tariff

A tariff is a tax levied upon goods imported from another country, both in order to collect revenue and to prevent competition from goods produced overseas. In the United States, only the national government may levy tariffs; in this respect it has full power over foreign commerce. The tariff has been an extremely important tax in the United States. As has been noted before, during most of the history of the United States the tariff has been the chief source of revenue. It has also played a major role in the development of the American economy. Whereas the United States is now the greatest industrial nation in the world, it was at one time considerably behind certain European countries, especially England, in its industrial plant. A leading cause for the American Revolution was the desire of American manufacturers to be able to ward off the competition of British goods; one of the first laws passed after the adoption of the present Constitution was a tariff.

By the 1930's, however, it had become evident that American industry with few exceptions was strong enough to be able to dispense with the tariff. Furthermore, it was clear that the high American tariff was actually harmful to the United States, for since other countries could not sell their products in this country they could not buy from this country either. Hence starting in the 1930's the United States began a steady lowering of its tariffs, so that today, apart from particular items, the United States is a comparatively low-tariff country. Today, then, the tariff has acquired a third function, which operates negatively; it is an important element in the conduct of foreign relations. Indeed, this may be the chief function of the tariff now, since it yields proportionately little revenue, and since very few American industries need fear competition from other nations.

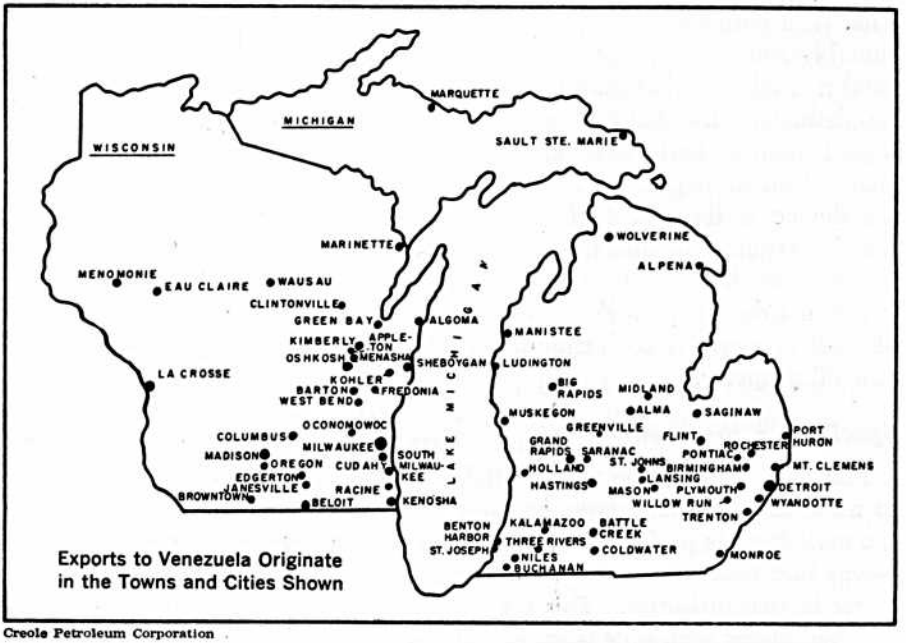
The tariff today is fixed primarily by the executive branch of the government. At one time Congress had full control over the tariff; hence the knowledge that a new tariff law was to be enacted brought lobbyists for all the affected economic interests pouring into Washington, including both the owners of industries seeking protection and the working men who feared they might be put out of work by the competition of less-expensive foreign wares produced by low-wage laborers. However, Congress about four decades ago abdicated this power and created a United States Tariff Commission which, together with the President, is authorized to establish tariff rates.

The Commission is made up of six members appointed by the President and confirmed by the Senate for six-year terms, with one term lapsing each year. The Commission maintains a continuous study of foreign trade, of foreign business conditions, and of foreign methods of production. When the Commission discovers that another country is discriminating against the

goods of the United States, or that methods of production in some foreign country have changed so as to alter the competitive relations between these producers and American manufacturers, it is to notify the President, and recommend to him what changes should be made in American tariff rates. The President then is empowered to raise or lower the tariff by as much as fifty per cent. Hence the interest groups bring their pressure today upon the President and the Tariff Commission rather than upon Congress. The only circumstances under which they act upon Congress is when Congress proposes to change, not the rates, but the power of the President and the Commission over the rates.

Tariff rates may also be fixed by treaty. Under the authority of the Trade Agreements Act of 1934 and its amendments, the President may negotiate treaties with other countries providing for reciprocal changes in tariff rates. This law is intended to enable the United States and other nations to make mutually advantageous concessions to one another; it is designed to increase foreign trade. Since the enactment of the law the United States has arranged one or more of these treaties with most countries in the world. Foreign powers tend to favor these agreements, since the United States is an excellent customer.

However, both the United States and other nations concerned may misunderstand the importance of their trade with each other. Some foreign countries, especially Great Britain, are dependent upon foreign commerce for their economic survival. Furthermore, some countries may have only one principal item of export, but send most of it to the United States; this is the plight of the coffee and banana countries of Latin America. Hence



Creole Petroleum Corporation

Figure 97. Michigan and Wisconsin Communities That Export to Venezuela.

American tariff rates may have a tremendous impact upon the domestic economies of these states. Certainly the very high Hawley-Smoot Tariff Act of 1930 helped bring about economic depression in Europe and then worsened it. For the United States, foreign trade affects the prosperity of every part of the Union. A glance at the map in Figure 97 will illustrate how the communities of only two States, Michigan and Wisconsin, rely for some measure of their output upon sales to only one foreign importer, Venezuela. Yet most American industries sell abroad only a small fraction of their goods, perhaps only one-twentieth over the nation as a whole; for this reason, American industry has not felt the urgency of a thriving foreign market as strongly as have the industries of such countries as England.

The general tax schedule

The general tax schedule of the United States as a whole tends to promote business whenever possible. For example, the tax upon business profits or gains is at a lower rate than the tax upon personal incomes. As an illustration, if a person purchases some shares of stock, and if the stock rises in value so that when the person sells his stock he nets a profit, that profit is termed a "capital gain" and is taxed at a smaller percentage than that upon personal incomes. Through this device the government seeks to encourage people to invest in business. Along the same line, the income tax law of 1954 introduced a system whereby a certain amount of the income from dividends paid on shares of stock might be deducted from tax obligations.

Also, the government permits corporations to make allowances for the depreciation of their property when computing their net income for the year. That is, a corporation may deduct a certain amount for losses it has presumably suffered through deterioration of its plant. The government has fixed a maximum that may be deducted. By raising the amount that may be deducted, the federal government makes it more attractive for an organization to build new factories, since their cost may be more rapidly charged off as depreciation. A similar, and hotly contested, promotional tax device is the so-called "depletion allowance" granted oil producers. On the assumption that the removal of oil from a well gradually empties the well, or depletes it, oil producers are allowed to deduct twenty-seven per cent from their profits before calculating their taxes, so that the value of their property is not extinguished without any allowance for creating a new oil property.

Special tax preferences

Finally, a tax may be preferential, in that it is levied upon one product so as to give an advantage, or preference, to another product. Probably the most famous preferential tax—already mentioned in another connection—was that once imposed upon colored margarine, so as to make its price closer to that of butter. This tax was passed, of course, at the instance of dairying States such as Wisconsin. Originally the soybean States (soybeans are a principal element in margarine) were not strong enough to have

the law repealed. However, after the Second World War the cost of butter rose to such heights, and margarine had acquired social respectability in so many homes owing to the wartime shortage of butter, that the soybean States such as Illinois were able to have the tax overturned. As a consequence public use of margarine increased rapidly, and the Commodity Credit Corporation became the owner of huge supplies of butter. These examples illustrate how the pattern of national taxation can promote one business and depress another.

SUBSIDIES

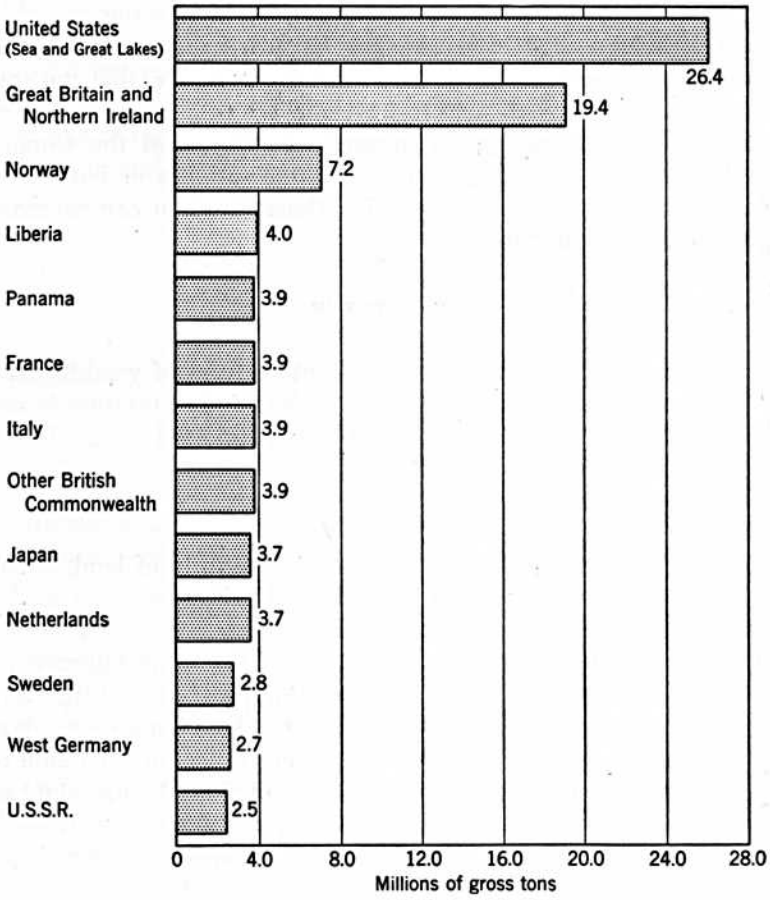
Subsidies are grants of money, or some other form of wealth, made by the government to some person or group. It is a kind of taxation in reverse. The federal government has promoted and supported many businesses through subsidies.

Land grants

The earlier types of subsidies were made in the form of land, which the government had in abundance; that is, the federal government made outright gifts of the public domain to favored companies. The greatest beneficiaries of such land grants were the trans-Mississippi railroads during the 1860's. Altogether railroads such as the Union Pacific and the Northern Pacific were given more than 120 million acres of land, an area greater than that of California, usually as alternating square miles on each side of the right-of-way in a belt many miles wide. This land the railroads might sell, or they might exploit it for its natural wealth. Some railroads still hold part of their grants, for their mineral resources. Thanks to these gifts the railroads were able to procure money for their construction; besides, by selling some of their lands to people who would settle on them the railroads supplied themselves with customers for their services. These subsidies were so important in the financing of the railroads that the monetary embarrassment many of them have suffered in the twentieth century is partly the result of their not having had to support themselves initially from their revenues alone, as they had to do when the subsidies ceased and most of the lands had been sold.

Money

Today the subsidies of the federal government usually take the form of money. An American industry that could hardly exist without federal subsidies is the merchant marine. High American wages impose two handicaps upon the American merchant marine: American ships are costly to build, and they are costly to operate. However, it is generally accepted that the United States must have a merchant fleet, in the event of war; hence the federal government gives monetary assistance both to American shipbuilders and to the shipping lines, so that American shippers will not patronize foreign ships and so that American operators of shipping lines will not buy their ships overseas.



Adapted from National Industrial Conference Board, Inc., "Road Maps of Industry," no. 1057, August 6, 1954

Figure 98. Merchant Fleets of the World. Steamships and motorships over 100 tons.

This program is administered by the Maritime Administration in the Department of Commerce. This body makes a continuous study of ocean services, of the shipping lines of other countries, and of the shipping requirements of the United States. It enters into contracts with American shipbuilders whereby it undertakes to compensate the shipbuilder for the difference between the price he will charge the purchaser of a ship—a price that is governed by world prices—and the actual cost of building the vessel; in that way the Administration enables American shipbuilding concerns to compete with those of other nations. The Administration also pays shipping lines the difference between their rates and the actual cost of furnishing transportation. Within the Administration is the National Shipping Authority, whose function is to assure the United States an adequate fleet of merchant ships in case of war. The Administration also maintains the Merchant Marine Cadet Corps for the training of ships' officers. In fiscal 1956 the federal government expended $220 millions for

the direct promotion of the merchant marine. It also granted a considerable indirect subsidy, in that the Post Office paid ships more than the actual cost for transporting mail. Coincidentally, the Post Office gave the same type of subsidy to domestic commercial airlines.

Yet, despite the efforts of the government the American shipping fleet is declining both relatively and absolutely. Although larger than any other (see Figure 98), the American merchant fleet in 1953 was smaller than it had been in 1948; and in June, 1954, five countries—Great Britain, Germany, the Netherlands, Sweden, and France—each had more ships under construction than the United States. It is notable, too, that the American fleet today is larger than that of Great Britain, whereas in 1939 it was smaller. This growth is only the consequence of World War II, whose demands made costs immaterial. The American merchant fleet grew enormously also during World War I; however, the interwar years saw this fleet decline, as American shipping lines could not compete with those of other countries in peacetime. It appears that the pattern is being repeated after World War II.

CREDIT

The federal government has 104 incorporated and unincorporated agencies engaged in lending money, in guaranteeing against loss the loans made by private groups, and in insuring private property. They employ all together about 40,000 persons. On June 30, 1954, the total of loans, guarantees, and insured liabilities made or covered by all these agencies amounted to $244 billions. The government had a capital of $16.9 billions invested in these agencies, and had authorization to employ another $14.1 billions for further loans and underwriting of risks. These lending, insurance, and credit agencies were not all established for the purpose of extending credit for the promotion of business, however. Most of them were concerned with veterans' life insurance, aid to foreign governments, aid to agriculture, insurance of bank deposits, and stimulation of home ownership. Yet a number of the credit agencies are directly obligated to promote the development of business enterprise. For example, the gigantic Federal Reserve System itself, described in the chapter on money and banking, uses such credit instruments as the rediscount rate in order to promote general financial prosperity. The federal government in this sense manages the whole credit structure of the nation. The agencies discussed in the following pages have the narrower purpose of making credit available to persons or groups which usually could not obtain credit from any other source.

Rural Electrification Administration

The Rural Electrification Administration (REA), whose existence was noted in the chapter on agriculture, is intended primarily to bring electric power and telephone service into rural areas. The REA is in the Agriculture Department; it is managed by an Administrator. It makes loans lasting

up to thirty-five years, with two per cent annual interest, to organizations that propose to erect power or telephone systems. It also supplies borrowers with technical assistance. In making these loans the REA favors public bodies and cooperatives. By January 1, 1956, the REA had lent over $3.1 billions to nearly 1,100 borrowers, for electrical projects. At the same date there were more than one thousand companies financed by the REA, bringing electrical service to more than four million consumers. The REA has only recently entered the area of telephone service; yet by March 1, 1956, it had approved $283 millions for loans to telephone companies, and by the same date, 215 organizations had REA-financed facilities operating. The map in Figure 99 shows where REA-assisted power systems are located.

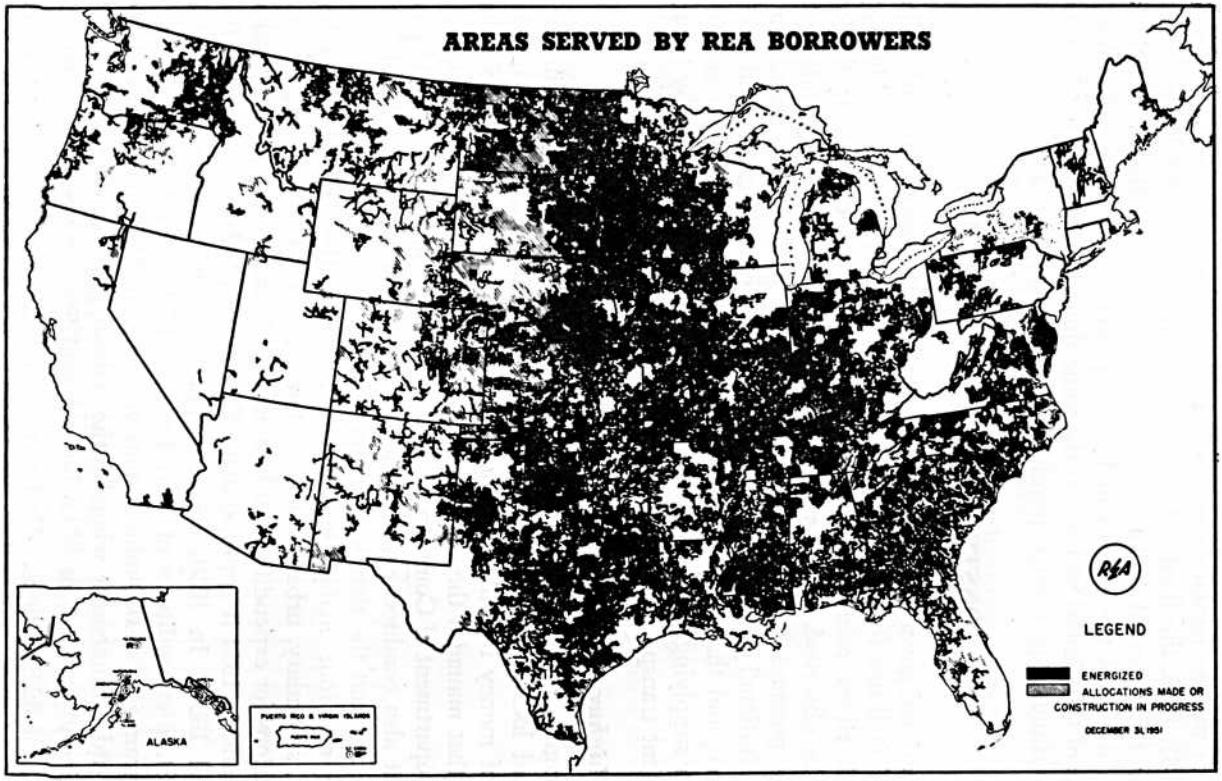
The REA has been harshly criticized as an example of government participation in business; indeed, although formally the REA is no more than a lending agency, in its functioning it does resemble a business enterprise. However, it is difficult to deny that the REA has provided electric power and telephone communication for people who would not have had these facilities without the REA, since private service would have had to operate at a loss in order to be economically attractive to the consumer. An important indirect result of REA activities has been the creation of a large new market for electrical appliances, inasmuch as REA has put electricity in millions of farm homes which without it could not have had radios, electric washing machines, electric refrigerators, or other electrical devices.

Small Business Administration

The Small Business Administration (SBA), created only in 1953, is designed to aid small businesses. Its executives are an Administrator and three Deputy Administrators. Affiliated with the SBA is the Loan Policy Board, consisting of the Administrator of the SBA, the Secretary of the Treasury, and the Secretary of Commerce. The various functions of the SBA include lending money to small businesses; procuring contracts from the government for them; extending technical aid to them; and subletting portions of prime contracts to them. The SBA is also empowered to lend money to any business, regardless of size, in case of disaster. The SBA is more or less the heir of the Reconstruction Finance Corporation, the giant lending body established in 1932 that assisted American business in recovering from the depression that began in 1929, then continued its work as a credit agency during World War II. The life of the RFC, except for liquidation proceedings, terminated in 1953.

Export-Import Bank of Washington

The Export-Import Bank of Washington is a credit agency that lends money so as to increase foreign trade. It is a government corporation headed by a five-member Board of Directors; two of the members are the President and the First Vice President of the Bank, and the other three are chosen by the President of the United States with the consent of the



Rural Electrification Administration, Department of Agriculture

Figure 99. Areas Served by REA-Assisted Power Systems.

Senate. On January 1, 1956, the Bank had 167 employees, all in the United States. The Bank has $1 billion worth of capital stock, all owned by the government; it may borrow up to four times as much. The Bank lends money to foreign countries and their business organizations, so that they may purchase goods from the United States. Presumably it is not to compete with private banking interests. From its founding in 1934 until December 31, 1955, the Bank extended slightly more than $5 billions in loans; over the same period it was repaid more than $2.4 billions. Obviously, through its loans the Bank can have a powerful effect upon the foreign relations of the United States. At the same time it promotes American business by stimulating foreign purchases of American goods.

CONSTRUCTION OF FACILITIES

The national government constructs, or aids in the construction of, various types of facilities for business. These facilities include public highways, navigable rivers, canals, harbors, and airports. Each of these facilities, it should be observed, is associated with some form of transportation; the activities pursued by the government in every case find authorization in the constitutional provision that Congress may regulate interstate and foreign commerce, and that it may construct post roads. Each of these activities, by either supplying transportation where none existed before, or by improving present transportation, tends to promote business.

Public highways

Although the construction of highways is largely the responsibility of State and local officials, the national government today is an important source of money for this work, in the form of grants-in-aid. The federal agency that manages the highway program is the Bureau of Public Roads in the Department of Commerce. The Bureau not only disburses the federal grants; it also conducts research into such matters as the cost of highway construction and the design of highways.

There are four main types of highways in the federal-aid system: primary, secondary, urban, and interstate. In 1952 Congress appropriated $575 millions for expenditures in both fiscal 1954 and 1955 on the federal-aid system; and in 1954 it appropriated $875 millions, to be spent in both fiscal 1956 and 1957. In 1956, Congress enacted a vast program calling for federal-State expenditures of more than $30 billions by 1972. The core of the program is a 41,000-mile system of interstate highways, financed by a grant-in-aid arrangement whereby the federal government will contribute about ninety per cent, or $24.8 billions, and State governments about ten per cent, or $2.8 billions. Under another phase of this program, federal and State governments will spend $6 billions on the 750,000 miles of secondary roads termed federal-aid highways. Some of the major construction projects in which the federal government has participated are the Kew Gardens Interchange, New York City (shown at the beginning of this chapter); the Schuykill Expressway near Philadelphia; the Detroit-Toledo

Expressway; the Harbor Freeway in Los Angeles; and the relocation of Route 99 in Oregon.

These undertakings also illustrate the power that the automobile and truck industries have acquired in politics, and the slow decline of railroads as political factors. As railroads lately have each year carried less of the total of intercity freight (see Figure 100), they have become more sensitive to the threat of motor carrier competition and power. The anger of the Association of American Railroads is reflected in its lengthy series of institutional advertisements extolling railroads as the one means of transportation that "pays its own way"—of course, neglecting to mention that thousands of miles of present railroad trackage repose on lands that were outright gifts from the government in the nineteenth century.

Navigable rivers

The federal government has jurisdiction over all rivers that are navigable or that through dredging might become navigable. Owing to this authority the government is constantly engaged in numerous projects to improve rivers as channels for commerce. Most of this work is performed by the Army Engineers Corps; some of it is connected with the great multi-purpose dams. There is no coherent program for improving the navigability of rivers. Instead, a large portion of these undertakings are designed solely to placate local interests. In other words, the improvement of a supposedly navigable stream is sometimes no more than a present from a congressman

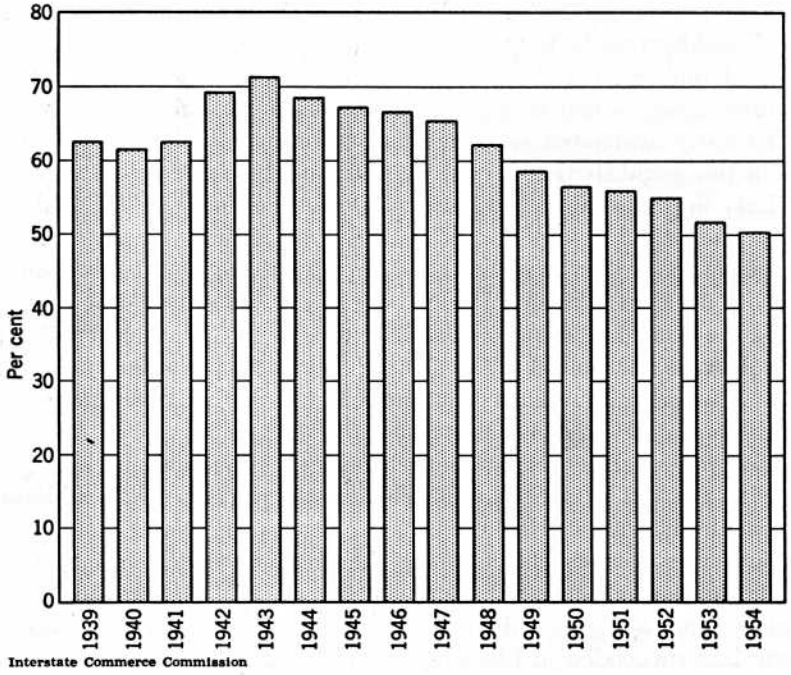


Figure 100. Percentage of Intercity Freight Carried by Railroads, 1939–1954.

to his district, to assist himself in his campaign for reelection. By contrast, some of these projects are of immense value to the community in which they are situated, and are a genuine aid to commerce and business generally. One outstanding example is the Ohio River, on which the Army Engineers Corps has built forty-six navigation locks and dams. Thus over the 981 miles from Pittsburgh to its mouth the Ohio has a nine-foot channel; in 1954 it carried 55 million short tons of freight, considerably more than the Panama Canal.

Canals

The federal government has constructed several canals that have been of great importance in the rise of American industry. The most spectacular of these canals is that through the Isthmus of Panama linking the Atlantic and Pacific Oceans. The Canal carried its first ship in 1914. The building of the Panama Canal was to a considerable degree motivated by the requirements of national defense; the American people had been greatly stirred by the two-month, fourteen-thousand-mile voyage of the battleship *Oregon*, which had had to sail around Cape Horn to get from the Pacific Coast to the Atlantic at the time of the Spanish-American War.

Initially, American coastwise shipping was to be allowed to pass toll-free; however, the British protested so loudly that Congress repealed this privilege. This action was probably necessary in order to win British support for the then hostile American policy toward Mexico; a contributing factor was the pressure brought by the transcontinental railroads, which feared competition from the Canal. In fiscal 1954 there were 8,293 transits of the Canal by vessels; they carried over forty million net tons of cargo and paid $35.1 millions in tolls.

Another canal, which is less spectacular than the Panama and which is not so clearly associated with national defense, but which is the busiest canal in the world, is that around the falls of the St. Marys River flowing from Lake Superior into Lake Huron—the Sault Sainte Marie Canal, or the "Soo." The principal function of the Soo is to furnish an exit from Lake Superior so that ships may transport iron ore from Duluth and Superior to the ore docks at Chicago, Detroit, Cleveland, Ashtabula, and Conneaut. In 1954 the Soo carried 84 million short tons of freight, almost nine-tenths of which were eastbound. The Soo is operated by the Army Engineers Corps. The federal government maintains several other canals, such as that through Cape Cod in Massachusetts.

In 1954 the federal government enacted legislation enabling it to participate with Canada in a St. Lawrence Seaway project. This undertaking will provide a channel from the Atlantic Ocean to Toledo for ships with a twenty-seven-foot draft. Certain elements in the United States had been striving for at least half a century to procure this legislation, but other interests, especially the railroads and the railroad labor organizations, hitherto had succeeded in blocking congressional action.

Success in 1954 may be attributed to several factors. One was the threat of the Canadian government to go ahead with the project, whether or not

the United States cooperated. Another was the realization that the Minnesota iron mines are nearing exhaustion, and that a deeper channel would be necessary if the United States planned to bring Canadian ore down the St. Lawrence into Lake Erie. A third important factor was the presence of Secretary of the Treasury Humphrey, who in private life is a steel company official. A possible added factor is the lessened influence that the railroads, which have been the chief opponents of the Seaway, can bring to bear upon Congress. A final important factor was the willingness of the Eisenhower administration to allow some agency other than the federal government to produce hydroelectric power; thus the antagonists of federally-owned power stations were appeased.

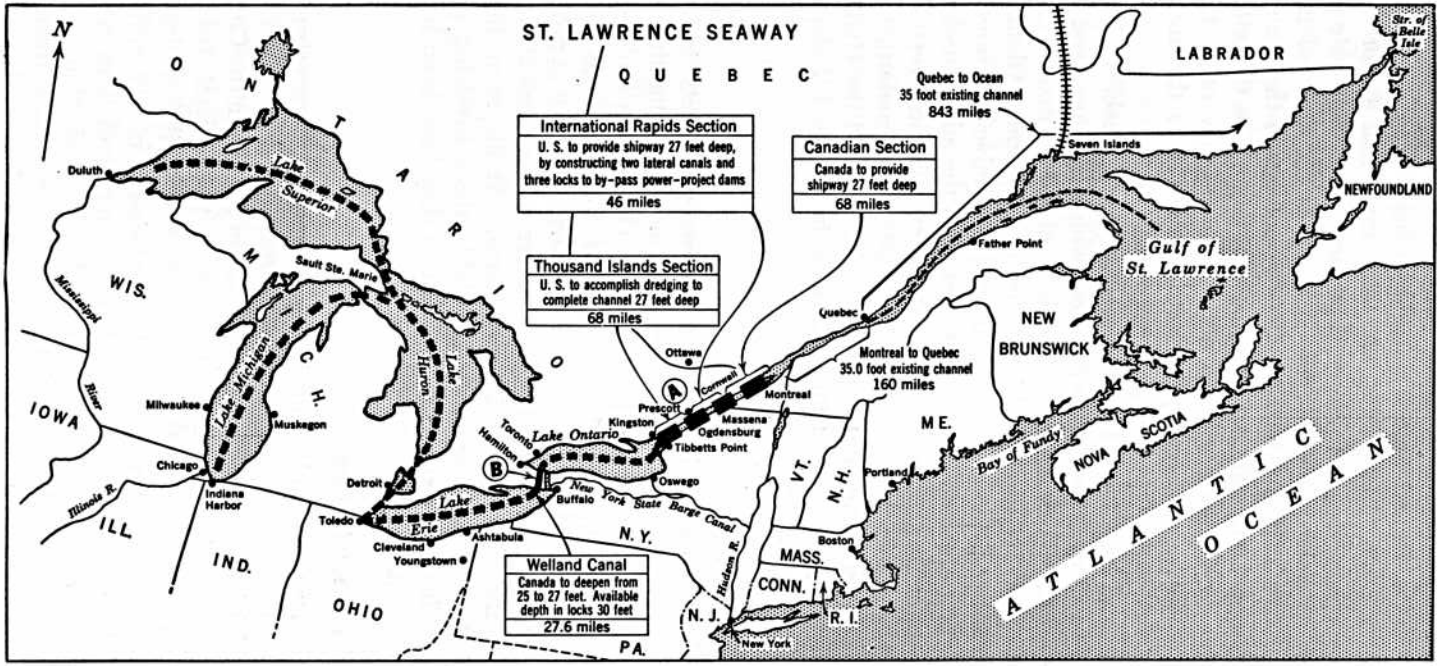
To execute and supervise this project Congress established the St. Lawrence Seaway Development Corporation, which is empowered to issue $105 million worth of bonds to pay the share of the United States. The chiefs of the Corporation are an Administrator and a Deputy Administrator. Policy for the Corporation is to be set by a five-member Advisory Board. All these officers are named by the President with the advice and consent of the Senate. The Corporation is under the supervision and direction of the Secretary of Defense. The hydroelectric phase of this undertaking is in the hands of the Power Authority of New York State and the Hydro-Electric Power Commission of Ontario. The map in Figure 101 depicts the Seaway.

Harbors

The federal government has undertaken many projects to improve harbors. The government deepens the harbors, erects lighthouses and breakwaters, and dredges out turning basins. These tasks are performed mainly by the Army Engineers Corps. As with the operations connected with river navigation, harbor projects often are carried out not as promotions of commerce but as demonstrations by Senators and Representatives that they are doing their best for their constituents. At the same time it is undeniable that some of these projects, notably those involving ports on the Great Lakes, have so promoted business that they have been beneficial for the entire nation.

Airports and air navigation

The federal government plays an important role in the construction of airports and the installation of air navigation systems. These activities are conducted by the Civil Aeronautics Administration (CAA) in the Commerce Department. The national government, through the Federal Aid Airport Program, shares with local authorities the cost of building airports; in fiscal 1954 the federal government made grants-in-aid of $17 millions for the Program. The CAA also makes technical recommendations of various types with reference to airport construction. For air navigation control the government has established a Federal Airways System of more than 100,000 miles in length, composed of airlanes bounded by radio signals. The government is also installing electronic devices that will enable the pilot of an



Adapted from map of Corps of Engineers, U.S. Army

Figure 101. The St. Lawrence Seaway. As contemplated under the law of May 13, 1954.

airship to land his craft by instruments alone, and to know from gages on his instrument panel his distance from a given station.

TECHNICAL AID AND INFORMATION

The federal government today provides many different sorts of technical aid and information for the business community. Most of this aid and information emanates from the Department of Commerce. Perhaps the greatest source of this type of factual data is the Bureau of the Census, which has been dealt with in Chapter 36. It suffices to remember that the Census Bureau counts the entire population every ten years; that it maintains a constant population estimation service in the period between the regular decennial censuses; that it performs many other censuses, such as those for agriculture, business, manufactures, mineral industries, and transportation; and that it carries on frequent studies of the techniques of census-taking and statistics. It should be quite evident that facts of this nature can be of enormous value to the businessman in such matters as reckoning a potential market. Another institution that assists business by supplying it with information, also described in a previous chapter (Chapter 38), is the Council of Economic Advisers. Apart from these two bodies there are several federal agencies clearly intended for the welfare of tradesmen, financiers, and manufacturers.

Business and Defense Services Administration

The Business and Defense Services Administration (BDSA) in the Department of Commerce is perhaps the outstanding illustration of the way in which the Department executes the functional representation of business in the national government. A comparatively new agency, first announced on October 1, 1953, the BDSA consolidates a number of former offices within the Department, including the Office of Technical Services, the Office of Distribution, and the Office of Industry and Commerce. One significant feature of the BDSA is the inclusion of twenty-five Industry Divisions making up a cross-section of American industry, to bring the wishes of manufacturers to the executive branch of the government. The BDSA, then, works directly with trade associations through their spokesmen.

Other portions of the BDSA are intended to convey technological information from the government to business, to assist industry in the standardization of products in the interest of economy, to help regions and localities with problems attached to their economic development, and to transmit all types of data on economic conditions to the businesses concerned. The work of the BDSA is complemented by that of the Office of Business Economics, which analyzes current business conditions, then sends its findings to enterprisers.

National Bureau of Standards

The National Bureau of Standards in the Commerce Department is an immense scientific laboratory for the establishment of weights and measure-

ments and for research in such fields as mathematics, chemistry, physics, and engineering. The authorization for the Bureau is derived from the constitutional clause empowering Congress to ". . . fix the standard of weights and measures" (Art. I, sec. 8, cl. 5). Today the Bureau determines thousands of such standards for use in all public and private experimentation in the United States. It tests equipment and materials for the public, as well as for government purchasing. The range of Bureau concerns is evident from the titles of a few of its scientific divisions: Atomic and Radiation Physics; Building Technology; Electricity and Electronics; Mineral Products; Radio Propagation Physics. All discoveries of the Bureau save those that must be classified as solely for the use of the government are available to business interests.

The Weather Bureau

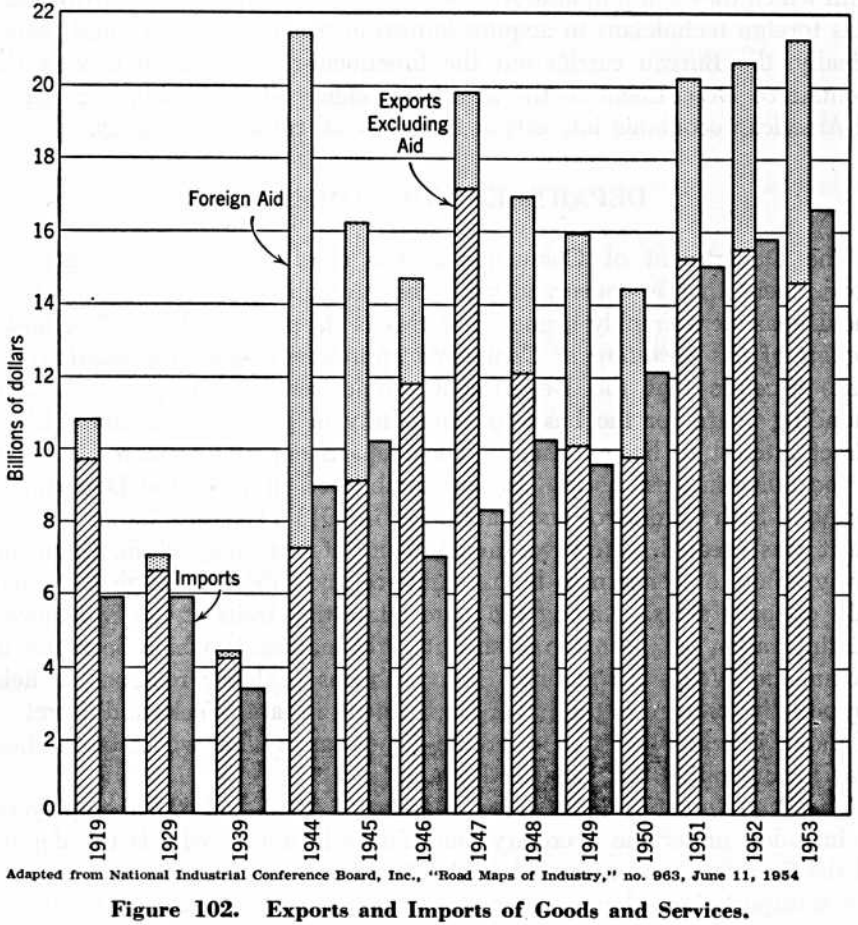
The Weather Bureau in the Department of Commerce provides important services to business, especially in the field of transportation. That the Weather Bureau aids farmers and the military forces as well can be seen from the fact that in the past it has been in both the Agriculture Department and the Army Signal Corps. The Bureau has 331 stations in the United States and its territories, and enjoys the assistance of 12,600 cooperating stations. With respect to commerce, the Weather Bureau supplies an unending stream of data respecting meteorological conditions, so that both merchant ships and commercial airliners may adapt their routes to find the areas with the least weather disturbance. Another important aid given to business by the Bureau is a river and flood forecasting system, so that industries situated along river banks, river transportation systems, and all enterprises using water power, may have sufficient warning of coming floods.

Coast and Geodetic Survey

The Coast and Geodetic Survey in the Commerce Department is largely a mapping organization. It provides important aids for seaborne commerce, by surveying and charting coastal areas, and by computing tides and ocean currents. It assists airborne trade by producing aeronautical maps. It helps both forms of transportation through its studies of the magnetism of the earth and its effect upon magnetic compasses. It also analyzes earthquakes, supplying valuable information to the construction industry. In its geodetic work (geodesy being a method of surveying that takes into account the curvature of the earth) the Survey makes it possible to draw more accurate maps and to reach more exact determinations of the elevations of the earth's surface; thus the Survey is of considerable significance to such undertakings as private hydroelectric stations. In one way the Survey appears to have invaded, probably inadvertently, the jurisdiction of the Interior Department; in its charting of the coast of the Gulf of Mexico the Survey was largely responsible for the discovery of the underseas oil resources off the coasts of Louisiana and Texas.

Bureau of Foreign Commerce

The Bureau of Foreign Commerce in the Commerce Department aims at furnishing American businessmen with data about economic conditions abroad, so as to promote the foreign trade of the United States. It has already been noted that the total amount of American overseas trade is surpassed many times by its domestic trade. Yet the quantity of American foreign commerce is important to some segments of the American economy, including certain shippers, bankers, manufacturers, and workers. The pattern of American foreign trade has passed through two major phases since 1789. In the first, which extended to the years just after the Civil War, the United States imported more than it exported; that is, as a nation it bought more than it sold. Its chief exports were foods; its leading imports were manufactured wares. Since the decade of the 1870's, by contrast, the United States has usually exported more than it imported; in other words, it has sold more than it has bought. Its principal exports are factory goods.



Adapted from National Industrial Conference Board, Inc., "Road Maps of Industry," no. 963, June 11, 1954

Figure 102. Exports and Imports of Goods and Services.

In the past few years, however, although its exports have continued to be greater than its imports, the surplus has sometimes been the result of foreign aid, in the guise of both military equipment and goods for civilian consumption. One of the greatest burdens the Bureau of Foreign Commerce has assumed is that of reshaping American international commerce so that its profits will result from actual sales rather than from gifts by the government. The graph in Figure 102 shows what have been the relations among imports, foreign purchases, and the total of exports.

Therefore the Bureau of Foreign Commerce has attempted in several ways to promote business that is not based upon governmental financial assistance. It provides information, on request, to American businessmen desirous of buying or selling abroad. It analyzes the domestic economic and political situation of foreign countries so as to encourage Americans to invest their money abroad. It sends technical advisers to other countries to assist them in improving and expanding their own manufacturing facilities; these endeavors will assist American trade in that they will enable foreign countries to sell more to the United States, giving them the money with which they can purchase American products. The Bureau furthermore aids foreign technicians to acquire industrial training in the United States. Finally, the Bureau carries out the functional-representation task of the Commerce Department in the area of foreign policy, speaking on behalf of American economic interests at international trade conventions.

DEPARTMENT OF COMMERCE

The Department of Commerce is the chief agency in the national government that is concerned with the promotion of business. Indeed, the Department frankly argues that this is its purpose; the 1953 *Annual Report of the Secretary of Commerce* approvingly notes the existence of "the principle that the Department should serve as a spokesman and sounding board for the business community in governmental activities of direct interest to businessmen." The Department of Commerce, then, is a vocational-interest body. As first established in 1903, the Department included both Commerce and Labor; but in 1913 a separate Labor Department was created. However much their interests may clash, there are many affairs of concern to both commerce and labor, although they may take opposite sides. Among the more interesting traits of the Eisenhower administration has been the often forthright manner in which Secretary of Commerce Weeks has entered into problems of labor relations, a field supposedly reserved to the Labor Department; in fact, Weeks and Secretary of Labor Mitchell had a considerable dispute as to what would be the best way for amending the Taft-Hartley Act.

The Department of Commerce on January 1, 1956, had 42,866 employees. It includes, under the Secretary, one Under Secretary who is the deputy of the Secretary, and a second Under Secretary, for Transportation. That the transportation administrator should have this rank rather than that of an Assistant Secretary suggests the important place that transportation has

in the functioning of the Department. There are three Assistant Secretaries: for Domestic Affairs; for International Affairs; and for Administration. Among the major subordinate bodies, the Patent Office, the National Bureau of Standards, and the Coast and Geodetic Survey are supervised by the Under Secretary. The Weather Bureau, the Bureau of Public Roads, the Maritime Administration, and the Civil Aeronautics Administration are directed by the Under Secretary for Transportation. The Bureau of the Census and the BDSA are under the guidance of the Assistant Secretary for Domestic Affairs. The Bureau of Foreign Commerce is the chief concern of the Assistant Secretary for International Affairs.

QUESTIONS AND PROBLEMS

1. Define *patent*, *trade-mark*, and *copyright*. If you were to discover a new means for binding books, called it the NUBIND process, and then wrote a pamphlet describing the process, what steps would you take to protect your property rights in your work in each case?
2. How do bankruptcy laws both promote and hinder business? Do copyright laws also promote and hinder business?
3. How high does a tariff have to be in order to be obviously a device solely for the promotion of business and not for the purpose of obtaining revenue?
4. Describe the process of determining and administering the tariff schedule on goods from abroad.
5. Give an example of each of the following devices for promoting business: the capital gains tax; depletion allowances; preferential tax; monetary subsidy; non-monetary subsidy. Do any or all of these devices constitute a hindrance to business in any way?
6. How do loans for developing electric power and telephone systems promote business?
7. Describe the promotional activities of the government in the field of transportation.
8. List the agencies of the government that gather and disseminate technical aid and information, and state in one sentence their field of interest.