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ASSOCIATE EDITORS: SAMUEL McCUNE LINDSAY, JAMES T. YOUNG

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The Government in its Relation to Industry

SPECIAL ANNUAL MEETING NUMBER

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By Honorable George Bruce Cortelyou, Secretary of Commerce and Labor, Washington, D. C.

SOME AGENCIES FOR THE EXTENSION OF OUR DOMESTIC AND FOREIGN TRADE

By Honorable George Bruce Cortelyou
Secretary of Commerce and Labor, Washington, D. C.

Mr. Chairman, Ladies, and Gentlemen:

I am particularly fortunate in having the privilege of meeting you this evening, for, in addition to the pleasure of seeing so many old friends, it is an interesting and gratifying experience for a speaker to address a gathering peculiarly concerned with the subject he has to discuss.

Your organization has had a rapid and healthful growth since its foundation in 1889. I am glad it is international in its scope and that its influence for good has been so marked. As announced when it was organized, the desire was to establish an association which, "renouncing all attempts at propaganda and demanding no confession of faith, should yet aim to keep its members in close touch with the practical social questions of the time." You are living up to this standard; you are doing something worth while in the life of the nation, and that should be a source of pride and congratulation to any association.

I greatly appreciate your kindness and consideration in arranging for me to meet not only the members of this Academy, but the members of the Manufacturers' Club, honored so long and so justly among the great organizations of its kind, and I am glad also to meet the representatives of the University of Pennsylvania, the foundation of which "was laid in colonial days, nearly fifty years before Pennsylvania became a State."

Philadelphia has many claims upon those of us who are trying to contribute to a better understanding of commercial and industrial conditions. As the metropolis of a manufacturing Commonwealth, as the seat of one of the great universities of the country and other institutions of learning having a deservedly high standing in their respective classes, as the home of influential organizations such as yours, and as the abiding place of many who represent the best ten-

dencies of our citizenship, it is peculiarly a city in which it is opportune to dwell at some length upon problems before the country and the steps believed to be necessary for their solution.

I have been in Philadelphia many times. I have had occasion, in connection with various Presidential trips, to note the tact and courtesy and hospitality with which your citizens arrange for such gatherings as this and for the services or exercises incident to your public meetings. You will pardon me for the personal allusion if I say that in a number of instances when visiting other places under such auspices I felt it necessary to take charge of the committees; whenever I came here your committees took charge of me I conclude, therefore, that to-night I am in your hands, and that while you may differ with some of my statements and conclusions, you will bear with me patiently, and will receive in the generous spirit so characteristic of your people such suggestions as may seem warranted regarding the topic upon which I shall speak.

Many of you recall the visit of President McKinley to attend the opening of the Philadelphia Commercial Museum. He believed in such agencies for the promotion of our commerce. Some day the new Department of Commerce and Labor may find it advisable to have closer relations with these museums, and I should be glad to see some practical steps taken to that end. Doctor Wilson, the able head of the Museum, and those associated with its development, deserve the thanks of this community and the recognition I am sure they will receive from the business men of the country for what they have contributed to the fund of our information upon commercial topics.

There has never been a time in the history of this country when so much interest was taken in commercial and industrial conditions as at present. With the expansion of our territory has come the expansion of our trade. We believe that the necessary expansion of territory has been attended by no sacrifice of the principles upon which the Government was founded and with no menace to our future welfare. The same must be made true of the expansion of our trade. The founders of the Republic builded wisely, and however great may be the development on commercial and industrial lines, there should be no deviation from the great fundamental principles, adherence to which has been the safeguard of our institutions. Some time ago,

upon an occasion similar to this, I referred to what is termed the "commercialism" of the age in which we live. Let me recall what I then said:

"In these prosperous times we hear much of the term 'commercialism.' It is frequently referred to as though in itself it represented a misguided national spirit or a tendency of our people to lower their standards. There is, undoubtedly, a commercialism that would dwarf the national life; that would place business success above business honor; that would contemplate the profits of trade without the ethics of trade; and that, if followed to a large extent, would make the American name a shame and a reproach among the nations. But there is another commercialism that is founded upon the traditions of the fathers; that seeks to secure the markets of the world by the American traits of thrift and fair dealing; that weaves into every fabric, as a prime essential, a moral fibre; that combines the fine qualities which have made the names of our really great merchant princes and leaders in the business world synonyms of honor and integrity. That is the commercialism with which you and I wish to ally ourselves, for the nation that is devoid of that spirit to-day sits supinely while her competitors pass on to the goal of commercial and industrial supremacy. Let us dedicate ourselves, not to the warped and sordid and altogether false commercialism that would gain success at all hazards, but rather to the true commercialism that is worthy of our best American ideals.

"It is so easy to start a word or a phrase on its rounds, that is later to be taken up, written about, and preached about; and it seems to me this is as good a time as any to place ourselves on record on the right side of this proposition and have the eminent gentlemen who are such ready critics and prolific controversialists understand that there can be a commercial spirit in a great nation so fine and so true that it becomes a support for the best tendencies and best possibilities of the national character; and that we do not intend that this spirit shall be misrepresented by any sweeping generalization or by a failure to recognize the fact that among the greatest of the forces that have made this Republic what it is to-day are the men of commerce and industry."

My remarks this evening contemplate this true commercial spirit as an essential basis for a consideration of agencies for the ex-

tension of our domestic and foreign trade. Upon that foundation, what are some of these agencies?

First, there must be the initiative and energy of the individual merchant, and cooperating with the individual merchant must be his employee, for the initiative and the energy of the one must be supplemented by the faithful service and devotion of the other. Granting this, we find ourselves at the very outset confronted with the great question of the relations of what are called capital and labor. Elsewhere I have discussed this question at some length. I shall not delay you with any remarks upon it further than to say that the relations maintained between the employers and employees in our business life have an intimate bearing upon the whole subject of the extension of our influence on commercial lines. Labor and capital must work together, must reason together, must be tolerant and open-minded if they are to achieve the goal of their mutual desires. Men naturally differ among themselves in their opinions on this subject, but very often their differences are found to show but slight divergence from a common ground. The man who seeks to accentuate these differences for political or personal advantage will ultimately receive the condemnation his mischievous teachings deserve. The demagogue is always with us. For some months in the immediate future we may expect to hear much from him. Whether in the ranks of capital or labor, whether in one political party or another, he is an impediment to progress and a menace to free institutions. In spite of him and in the interest of good government, the problems that are essentially nonpartisan must be sacredly kept so. Not that we should minimize the dangers along our pathway, not that we should abridge the freedom of speech or of the press in the discussion of wrongs that must be righted or of evils that must be eradicated, but running through the whole discussion must be a spirit of fair play and common decency. It is not necessary that one should be a pessimist to recognize the evil tendencies and forbidding influences that menace the national welfare. We are not naturally a nation of pessimists. The founders of the nation breathed the very spirit of optimism, and, while recognizing that this Government, like all human devices, had its imperfections, and that dangers and difficulties were inseparable from the working out of its destiny, the great leaders of American thought and action from the days of Washington to the

present moment have carried aloft the banner of a national hopefulness and have been sustained and strengthened by a firmly rooted belief in the integrity and greatness and glory of this mighty Republic.

Among the problems confronting our people to-day, none is more worthy of serious attention than that relating to commercial and industrial conditions. I believe that we are making progress. I believe that there is to come better feeling between employer and employee. I believe that the organizations and individuals representing the men and women of wealth, and the men and women whose toil makes the accumulation of wealth possible, are exercising an ever-increasing influence for better feeling; and your association and others of kindred purposes, chambers of commerce, boards of trade, and commercial organizations generally—great unofficial agencies for the extension of American commerce—are doing much vital work in that direction.

To repeat: first, individual initiative, energy, and loyalty upon the part of the citizen whether employer or employee; then, in cooperation with them, the agencies of government, and, at this time, most appropriately, the new executive establishment which has been created to have some jurisdiction over commercial and industrial affairs.

Turning to the Federal agencies, we find that nearly every branch of the Government does important work for commerce and industry. The Department of State in negotiating treaties promotes the development of commerce, while the work of the consular service, the results of which are now given to the public daily, by the Department of Commerce and Labor, is almost exclusively devoted to commercial interests. The Army of the United States, for which many millions are annually appropriated, although intended primarily as an instrument of war, is, in fact, an important agency for the upbuilding of commerce, since it is under the jurisdiction of the War Department that the vast appropriations for the improvement of rivers and harbors are expended. The Navy is also an important factor, not only by way of protection to our merchant marine, but also in its work of exploration, in the laying out of cable routes, and in many other ways. The Post-Office Department, with its expenditure of over one hundred million dollars per annum, is an invaluable agency for commercial development. The Department of the Interior is an-

other, through the aid which it gives our citizens to establish homes and to become producers of agricultural and mineral wealth; and particularly in the encouragement which, through the administration of the patent laws, it gives to the inventive genius of the country. The Department of Agriculture, for which nearly forty million dollars have been appropriated during the past decade, is engaged in promoting and fostering our principal source of wealth, agriculture, whose products form such a large part of the materials entering into our commerce, both internal and external. Of our total exports, which now exceed those of any other country of the world, agriculture supplies nearly, or quite, two-thirds. The Department of Justice, in enforcing the various laws against the restraint of trade, and the Treasury Department, in administering the finances of the country, are also potent factors in our commercial progress and development; and in conjunction with these Departments the Department of Commerce and Labor will contribute its share to the maintenance of our commercial and industrial preeminence.

It is especially with reference to the work of the new Department that you naturally expect me to speak in detail.

Congress has declared it to be the province and duty of the Department of Commerce and Labor to "foster, promote, and develop the foreign and domestic commerce, the mining, manufacturing, shipping, and fishery industries, the labor interests, and the transportation facilities of the United States."

One of the most important methods of aiding commerce is to give to those engaged in it such definite information regarding existing conditions as will enable them intelligently to determine the classes of articles which can be most profitably produced, the sections to which they should be distributed, and the agencies through which they can best be placed before prospective customers. In all of this work the new Department is actively engaged.

The Census Bureau, which in the year 1900 gathered the statistics of population, manufactures, and agriculture, is now engaged in collecting and compiling information on other subjects having important relation to our industries, and is also preparing to take, a year hence, another census of our manufactures, thus giving a quinquennial instead of decennial statement, which in the past has been our sole information on the subject of manufactures. In addition,

its statistics on cotton production are now presented at frequent intervals, and in conjunction with special investigations ordered by Congress, it is giving to the country a fuller knowledge of the great factors of our commerce than ever before.

The Bureau of Statistics of the Department publishes, for the benefit of our commercial interests, such information as it is able to collect with the cooperation of the various governmental offices and commercial organizations. It also gathers and publishes from month to month statements of the concentration of the principal articles at certain internal points and their transportation therefrom to various parts of the country and to the seaboard for exportation. This work, a comparatively new one, is carried on by the Bureau largely through the cooperation of commercial bodies, the press, and the large organizations engaged in transportation. In like manner information is collected and distributed regarding exports and imports. Material for use in manufacture is forming a steadily growing share in our imports, while the home market for articles in a form ready for consumption is more fully supplied year by year by our own producers and manufacturers. Manufacturers' materials in 1860 formed 26 per cent. of our total imports; in 1880, 37 per cent.; in 1900, 46 per cent., and in 1903, 48 per cent., while the imports of articles manufactured in a state ready for consumption have decreased in about the same proportion.

Monthly statements of the total exports of the various articles of production and of the countries to which exported are presented by the Bureau of Statistics and distributed to individuals and to commercial and industrial organizations. In addition, statements are issued at the close of each fiscal year showing the distribution by countries of every article exported and the quantity and value sent to each country during each year of the previous decade. Semiweekly statements of commercial conditions are prepared and distributed to the press and to commercial organizations, thus giving the widest possible publicity to the latest available information regarding commercial conditions.

Still another important undertaking of the Department is the publication and distribution of commercial information collected by the consular service of the United States—a service composed of more than 300 men scattered throughout the world—who report

regularly upon the opportunities for American commerce in their respective districts. These reports are forwarded by the consuls through the State Department to the Department of Commerce and Labor for publication and distribution. In addition to the information thus obtained, the Department of Commerce and Labor from time to time calls upon the consuls for special information for which inquiry has been received from merchants and manufacturers. The consular reports are issued daily in printed form, and distributed to the press, to commercial bodies, and to a limited number of individuals. It is through this service that the American commercial public is kept in close and constant touch with trade conditions and opportunities throughout the world.

Another valuable agency is the Bureau of Labor of the Department. Its investigations are not confined to conditions in the United States, but are extended to other countries and to the relations which labor conditions there bear to production and commerce and labor in the United States. The information thus obtained is published periodically and widely distributed.

Other branches of the Department's work in the interest of commerce and industry include the Light-House Establishment with its thousands of employees engaged in maintaining aids and safeguards to commerce on the coasts and inland waterways; the Coast and Geodetic Survey with its corps of skilled men engaged in surveys of our coast; the Steamboat-Inspection Service, which contributes largely to the safety of persons and capital engaged in commerce by water, both along the coast and upon the interior waterways of the country; the Bureau of Navigation, which has to do with matters relating to the shipping interests of the United States; the Bureau of Fisheries, which in promoting the development of our fresh and salt water fisheries contributes largely to the food supplies entering into the commerce of the country; the Bureau of Immigration, which protects the country against violations of the laws governing immigration; and the Bureau of Standards, which is intrusted with the care and use of the national standards of measure, with the development of methods of measurement, and with the dissemination of knowledge concerning these subjects as applied in the arts, sciences and industries.

Of the new Bureaus created by the act establishing the Depart-

ment of Commerce and Labor, the Bureau of Corporations is engaged in the necessary foundation work for its duties under the law, and will eventually become a valuable agency for the extension of our domestic and foreign commerce. The Bureau of Manufactures is not yet organized, owing to lack of appropriations. Funds available in present legislation will make possible an early beginning of the work of this Bureau.

Provision was made in the estimates for this year for an appropriation to be expended under the immediate direction of the Secretary for special investigations of trade conditions at home and abroad, with the object of promoting the domestic and foreign commerce of the United States, and for other purposes. Important instruments in the promotion of trade are the agents dispatched from time to time by foreign governments to study commercial opportunities in other countries. Military and naval experts are sent abroad by our Government to report on conditions that are of interest to their respective Departments. In the daily competition of international trade there is even greater need of intelligent outposts abroad. Special agents are also required in the Department itself to inspect the branches of its services in different localities and to secure uniform, businesslike and economical methods. The need of such agents in other Departments has been met by appropriations, and there is of course a similar need in this new Department.

No appropriation has yet been made for this service, but I am convinced that when its importance is made more apparent to Congress favorable action will be taken.

In addition to the measures that have been taken for the reorganization and improvement of existing branches of the statistical service, it is proposed to establish an office for the collection and distribution of foreign-tariff information, this being one of the directions in which the Department's work can apparently be extended with great advantage. A small initial appropriation has been received for this purpose.

Nations are inclined to regulate their commercial intercourse by means of a double system of tariffs, permitting preferences through commercial treaties. The current agitation in Great Britain for a departure from traditional policy in order to increase commerce be-

tween the members of the British Empire may have marked effects upon American trade and incidentally upon American labor.

The industrial and economic facts which accompany such movements must be closely, intelligently and unremittingly watched. A few competent employees, acting directly under the head of the Department, will suffice for this purpose. From the small expenditure proposed excellent results may be obtained. There is at present no Government office in the United States engaged systematically in the work of collecting information regarding foreign tariffs, and making that information available to our exporters. This Department has received frequent inquiries for such information, and has been impressed with the importance of providing a medium to supply it.

You have been kept advised from time to time of what the new Department is doing on these lines. Too much must not be expected in the initial months of its existence. It will cooperate with you and you must cooperate with it. There must be mutual understanding and mutual support. It will not attempt the impossible. Its sphere lies in what will be well-defined limits. It is a branch of the Federal Government, and as such must adhere strictly to the lines marked out for its jurisdiction and not inject itself into fields of private endeavor where it does not belong. It can do a great work for the commerce and industry of this country, but the results it will achieve will be measured by the foresight and the intelligence and the conservatism with which it carries on its work as one of the great agencies in the extension of our domestic and foreign trade.

The promise held out for the new Department presupposes proper equipment. As it demonstrates its usefulness, I am confident Congress will increase its appropriations to a point adequate to its needs. Like all new institutions it is bound to have its early struggles for recognition. Congress and the Chief Executive have given it work to do. Whether well or ill equipped, it will do this work in the best manner possible. It seeks nothing it should not have. It will ask for support only on its merits, but as it demonstrates its usefulness in the scheme of our Government, it will have whatever recognition and commendation it may be entitled to receive.

The new Department has to deal in a large way with great business enterprises. It has approached these problems with con-

servatism and impartiality. It has some jurisdiction over the interests represented by the toilers of the country, and it will do its share in securing a recognition of labor's rights and the encouragement of better feeling and fairer dealing. It is made the statistical Department of the Government, and it will make its statistics nonpartisan, impartial, and as accurate as they can be made. It has to do with marine interests. It will advance those interests in every proper manner, and I am sure it is not heresy to state in this presence that it will lend the weight of its influence to the building up of the American merchant marine. It has supervision over the difficult problems of immigration and Chinese exclusion. There are inconsistencies in the laws relating to them. There are grave hardships constantly coming up in the execution of these laws. Not infrequently they present obstacles to the development of our commerce. But they are founded on the good old doctrine of self-preservation, and must be fairly enforced until more satisfactory legislation can be devised. These and the other problems to the solution of which the Department must give its best energies are among the most important confronting our people to-day. If the Department can do its legitimate share in their solution, if its personnel can be raised to a high standard, if its expenditures can be kept at the lowest figure consistent with good administration, if, in a word, it can be conducted as a business establishment for the advancement of business interests and for the encouragement of good feeling and better understanding between all interests having to do with our trade and industrial relations—the employer and the employee, the accumulator of wealth, and the toiler in the counting room or the shop or the factory who contributes to it—if it can be a potent force for enlightenment and progress in these busy years of the nation's development, all who have an interest in its success will feel that their confidence has not been misplaced and that they have contributed to the establishment and advancement of a factor in our national life.

In some remarks made to officials of the Department on the 1st of July, 1903, I said: "The new Department moves forward, and as it takes its place by the side of the other great executive establishments it will catch the step and the swing of their onward movement in the nation's progress and prosperity."

I am sure you will welcome the statement, which it is almost

unnecessary to make, that in all the work of the new Department, in its desire for nonpartisan and impartial and conservative action, in its contribution to the solution of the problems with which it has to deal, it has had no more sturdy friend, no more vigorous advocate, no more faithful supporter, than the strong and able and fearless man who is to-day President of the United States.

This country has taken its place in the front rank of the world's producers. It now excels any other country in the production of wheat, corn, iron and steel, coal and copper, and possesses more manufacturing establishments and a larger number of intelligent, well-paid workmen than can anywhere else be found. Our locomotives, railway cars, carriages, agricultural implements, boots and shoes, clocks, scientific instruments, telephone and telegraph instruments, and a multitude of other products which go to every quarter of the globe are a tribute to American skill and enterprise.

What I have referred to this evening are, in the main, the forces to which we may look for still further progress and development in our commercial and industrial relations, but back of them all there must be triumphant Americanism, forceful and far-seeing, ever aggressive and ever mindful of the principles upon which our national progress depends. On the integrity, and energy, and public spirit of American citizenship we may confidently rely for the future glory and prosperity of our country.

Such organizations as yours are among the most influential factors in our commercial and industrial development. I congratulate you upon what you have done; I bid you Godspeed in the good work you are yet to do.

II. The Government Regulation of Banks and Trust Companies

Government Control of Banks and Trust Companies

By Honorable William Barret Ridgely, Comptroller of the Currency, Washington, D. C.

GOVERNMENT CONTROL OF BANKS AND TRUST COMPANIES

By Honorable William Barret Ridgely
Comptroller of the Currency, Washington, D. C.

The passage of the National Bank Act, or National Currency Act as it was first called, may be considered the beginning of the federal control of banks. This has now been exercised for more than forty years with most satisfactory results, both to the government, the banks and the people who have done business with them. It has resulted in an excellent system of banks, honestly, ably and well managed. The figures in regard to the number of failures and loss to depositors which are given elsewhere in the article show an unequalled record of soundness and safety, and, contrasted with the previous records of State banks and even with the better and stronger State banks and trust companies which have existed alongside of the national banks, make a strong argument in favor of national control of institutions of this character. The total loss in over forty years is less than eight one-hundredths of one per cent. of the average amount on deposit. The volume of experience gained during the forty years' control of the national banks is probably the greatest accumulation of such experience which has ever been made, based, as it is, upon the control of a greater number of banks, more widely distributed, doing a larger volume and variety of business and covering a longer period than has ever been exercised in any other country. As a matter of fact, other countries do not attempt such a complete control or examination of banks as we do in the United States. The nearest approach to our national system is in some of our State bank departments. State banks, and especially the mutual savings banks in several States, are quite closely controlled in their management by specific statutes and are frequently and thoroughly examined. But there is no other system of banks over which there has been for any such period such a thorough control through restrictive statutes, frequent examinations and reports, as has been exerted over the national banks of the United States.

Probably the main consideration in the passage of the currency act establishing the system of national banks was to provide a market for the national loans made necessary by the war. The country, however, was glad of a chance to exchange the system of State banks under different laws in each commonwealth for a national system, which would at least be uniform, and which, above all, would substitute a system of national bank note currency for the many issues of State bank notes. As is well known, it was then expected that this bank note currency would replace all other forms of paper currency in circulation. It was probably on this account that the official who was to have charge of the relations of the federal government and the banks, was called Comptroller of the Currency, instead of the Comptroller or Superintendent of National Banks, which, as events have shown, would be a more distinctive title. The issue of legal tender, United States notes and other forms in circulation, and later the addition of a large volume of silver certificates to our paper circulation, have made such a change in the situation that, instead of furnishing all the paper currency, the national bank notes have formed but a comparatively small part of it.

It was mainly the granting of the privilege of note circulation which first attracted banks to the national system and made any national control of banks possible. The national banks were intended and expected to be primarily banks of issue, and were indirectly given a monopoly of this privilege by a prohibitive tax levied on the issues of all other banks. Outside of their note issues, the powers of the national banks were quite severely restricted. They were expected to be banks of deposit and discount and to transact, as far as possible, the local commercial business of their community. They were denied the power to have branches, to make loans on real estate or to own real estate other than their necessary banking houses, to loan more than ten per cent. of their capital to any one person, firm or corporation, to own or deal in shares of stock, to own or make loans on their own shares of stock as security. Each bank was originally required to keep a minimum reserve against deposits and notes issued, but this was later amended to require a reserve on deposits only.

When the act was first passed, there was much question whether the inducements offered the banks were sufficient to induce them to

submit to examination, restriction and control by the United States. Many of the early banks were organized, or converted from State to national as much or more from patriotic motives as from hopes of increased profits. The fact is, the circulation has never been very profitable; never sufficiently so to induce the banks to approach the maximum amount permissible. The highest percentage of possible circulation was issued in 1882 and was 81.6 per cent. This gradually declined to 27.54 per cent. in 1892 and has since then steadily increased to 54.75 per cent. in 1903. A strong inducement to the banks in the larger cities to secure national charters is the system of reserve and central reserve banks, which permits a national bank in other cities to keep two-thirds of its cash reserve on deposit with an approved reserve agent national bank in a reserve or central reserve city; and a bank in a reserve city to keep one-half its reserve in the central reserve cities St. Louis, Chicago and New York. This gives national banks in reserve cities an opportunity to secure large deposits from country banks which the State banks cannot secure, because deposits with State banks are not counted as reserve, and are also subject to the ten per cent. limit on indebtedness by any one firm or corporation. An additional inducement for banks to submit to federal control is the greater confidence in which the banks under national supervision and control are held by the people. This has steadily increased since the creation of the system as the result of the examinations and published reports, and that this is justified is shown by the comparative statement of the failures of national and State banks. From the date of the organization of the national system to January 22, 1904, there were organized 7083 national banks. Of this number 404 became insolvent and 1499 have gone into voluntary liquidation, leaving 5180 in operation. The percentage of failed banks to the total organizations is 5.7 per cent.; the percentage of liquidating banks is 21.2.; the percentage of active banks is 73.1.

From an estimate based on 330 insolvent national banks whose affairs have been finally closed, dividends amounting to 71.31 per cent. have been paid on claims proved amounting to $101,724,840. Including in this estimate, however, offsets allowed, loans paid, etc., the creditors received on an average 78.55 per cent. on their claims. This would make a loss of 21.45 per cent. to the creditors. The total

loss to depositors in forty-one years on deposits, now amounting to almost three and one-half billion dollars, has been less than thirty million dollars. The cost of liquidation, based on the total amount collected from assets and from assessment on shareholders was $8,579,822, or 8.3 per cent. The causes of failure have been classified as follows:

Excessive loans	22.81%
Fraudulent management and defalcation	36.34%
Injudicious banking	25.06%
General stringency and panic	15.79%

Comparing the result of failures and liquidations among the national banks with the figures in regard to the failures of State banks from 1863 to 1896, as given in the report of the Comptroller of the Currency for 1896, the last date to which complete figures are available, it will be seen that while only 6.5 per cent. of the number of national banks in existence failed during this time, 17.6 per cent. of the other banks in existence failed. And while the national banks which had failed up to 1896 paid to their creditors 75 per cent. in dividends, the State and other banks paid only about 45 per cent. The cost of liquidation of State and other banks which failed is also very much higher than the cost of liquidation of national banks.

The present law authorizes the Comptroller to order an examination of a bank at any time he may see fit. For several years after the establishment of the system but one examination was made each year. After a short time the banks in the reserve cities were examined twice in each year. During the administration of Mr. Eckels after the panic of 1893, this system was extended until each bank is now examined regularly twice each year. The reports made by the examiners have grown from a short statement of liabilities and resources until they now cover all vital points of interest in regard to the condition and solvency of the bank examined. These reports when received in Washington, are gone over very carefully by a corps of trained men, and letters are written to the banks, calling attention to and criticising the various items in the reports and asking for an explanation or additional information in regard to them. This is probably the most important work of the Bureau, especially in cases where a bank is in a critical condition. Probably the greatest utility which is done by the Currency Bureau is to be seen in those cases where it is

discovered, through the reports, that a bank has made such losses as to involve an impairment of capital or possible insolvency. In more cases than are generally known the Comptroller of the Currency, with the aid of the bank examiner, is able to save a bank which, without intervention and assistance, would have failed. Of course it is essential to success in this matter that secrecy be observed, and it rarely becomes known to anyone outside of the bank and the Comptroller's office what has been the condition of a bank or what steps are necessary to save it. It is the experience of the office that, where the officers of the bank are honest, truthful and make complete statements of their difficulties, in most cases additional security can be obtained for doubtful paper, or such a contribution made by the directors or other stockholders that the impairment of capital or insolvency can be entirely removed, and there are many banks in the United States to-day which have been saved in this way and are now not only thoroughly solvent, but highly prosperous institutions. This system of examinations, of course, is far from perfect. The examiner cannot, in the time at his disposal, make such an inspection as will always result in the detection of fraud and violations of law. If the officers of a bank, or any of them, are dishonest, being in the bank every day, they have every advantage over an examiner, and are very frequently able to deceive him. No system of examination can supply ability or ensure honesty in bank management. This must be supplied by the officers and directors, and upon them the responsibility must rest. In any well managed bank the work of the examiner ought to be supplemented and aided by continued and thorough examinations by the directors themselves, or someone appointed by them independently of the men who regularly have charge of the funds and accounts. In addition to the two examinations in each year, each national bank is compelled by law to make to the Comptroller at least five sworn reports of its condition. These were first made on fixed dates, but it was found that as these dates were known the banks would always prepare to make their statement; and the present method is for the Comptroller to call for a statement of condition as of some previous date, and these are always made without any notice to the bank on dates which are not fixed by the Comptroller until the moment the call is made. A summary of the statement of condition of all banks of the country, divided by States,

which is published within two or three weeks after the issuance of a call, gives very prompt and valuable information as to the condition of the banks in all parts of the United States.

It is worthy of notice that, while the national banking system has been steadily growing until there are now about 5200 banks, with the great resources already referred to, the tendency to increase, both in number of banks, capital and deposits is greater among the banks other than national than among the national banks. The following is a table from the report of the Comptroller of the Currency for the year 1903:

BANKS.	Number	CAPITAL.		DEPOSITS.	
		Amount.	Per cent.	Amount.	Per cent.
1882.					
National	2,239	$477,200,000	67.01	$1,131,700,000	39.7
State, etc	5,063	234,900,000	32.99	1,718,700,000	60.3
Total	7,302	712,100,000	100.00	2,850,400,000	100.00
1892.					
National	3,759	684,678,203	63.9	1,767,519,745	37.8
State, etc	5,579	386,394,845	36.1	2,911,594,571	62.2
Total	9,338	1,071,073,048	100.00	4,679,114,316	100.00
1902.					
National	4,535	701,990,554	52.4	3,222,841,898	33.2
State, etc	7,889	499,621,208	47.6	6,005,847,214	66.8
Reporting for tax only	3,732	138,548,654		478,592,792	
Total	16,156	1,340,160,416	100.00	9,707,281,904	100.00
1903.					
National	4,939	743,506,048	50.43	3,348,095,992	32.81
State, etc	8,745	578,418,944	49.57	6,352,700,055	67.19
Nonreporting	4,546	152,403,520		502,522,431	
Total	18,230	1,474,328,512	100.00	10,203,318,478	100.00

The national banks, which had 67 per cent. of the capital in 1882, had 63.9 per cent. in 1892, 52.4 per cent. in 1902 and 50.43 per cent. in 1903. The national bank deposits, which were 39.7 per cent. of the whole in 1882, were 37.8 per cent. in 1892, 32.2 per cent. in 1902 and 32.8 in 1903. Some of this apparent decrease may be possibly due to more complete returns from the banks other than national which are now obtained, but there is no doubt of the fact that the tendency is for the banks other than national to increase more rapidly. This is true in spite of the fact that the law of March 14, 1900, authorizing the organization of national banks with a capital as low as

$25,000, has resulted in the conversion of a large number of State banks in the country towns into national banks, and the organization of a great many national banks to succeed private ones. Probably the principal reason for this tendency is the great increase in the number of trust companies which have been organized during the last ten years. These companies, organized under State laws originally designed to provide for companies doing a strictly trust business are taking advantage of the liberal character of those laws, and a very large portion of the new organizations are merely commercial banks, having trust company privileges perhaps, but in reality doing comparatively little strictly trust company business. The laws of the different States, particularly in regard to the cash reserves to be held, and loaning money on real estate security, are so liberal that organizations of this character have a great advantage over the national banks in the inducements which they can offer their customers. It is naturally to be supposed that any one contemplating the organization of a new bank, other things being equal, will be inclined to do so under the laws which allow the greatest freedom from governmental interference, restriction and control. The question as to what shall be done in the way of control of these new trust companies is very important. It would be a great mistake for the different States to allow the national banking system to be broken down or seriously weakened by new organizations which are able to do so because they are less carefully examined and controlled than the national banks. The national system has furnished most excellent banks for the regular commercial banking business. It is not likely to be an improvement to have this replaced by any system of State banks. Much less is this likely to be the case if the inducement to go into the State systems is greater freedom from control, weaker reserves and less careful management. The modern trust company has been called the highest example of modern commercial organization, and of many of the largest and best companies this is doubtless true. The regular trust company business is a very important part of any financial system, and calls for the highest degree of character, honor and ability.

I quote from a recent writer on this subject, and agree with all that he has said in regard to the trust companies:

"Trust companies are formed for the execution of the most

sacred duties that can be imposed by man. The care of the property and welfare of the helpless and the dependent, the widow and the orphan, the feeble and ignorant ones, who are such an easy prey for the unscrupulous, is part of their mission; to carry out the wishes of the dead, who put faith in the company and entrusted their dearest interests to it for years in the belief that it always would be true and honest; to meet the expectations of the living, who entrust their property to it in full confidence that it always will be faithful and capable; this demands a conscientiousness and thoroughness, which must always serve as a high ideal and inspiring stimulus to right minded men."

When, however, the trust companies cease to do this character of business or attempt to add to it not only ordinary commercial banking, but in many cases underwriting and promotion of all sorts of new enterprises, the case becomes entirely different. It can hardly be said to be a reasonable or proper regulation of the banking and trust company business to allow the organization, under the same law, of concerns which not only have the power to act as trustees in all of the important capacities which the writer has enumerated, but which also have the power, if the management is so inclined, to do a general commercial banking business with little or no cash reserve, and even to underwrite an issue of bonds and securities several times in value the combined capital, surplus and deposits of the so-called trust company, as happened in a recent notable case. In another instance trust companies organized under the laws of certain Eastern States engaged in the organization of national and other banks in the Western States and attempted to pay up the capital with certificates of deposit in the so-called trust company. It is true most of the older trust companies have been splendidly managed in every respect, their officers and directors are men of the highest character who can safely be trusted with any business, whether it is in the nature of a trust, commercial banking, promotion, or underwriting. It is not such concerns as this which need control and regulation. Their business will be well and properly done in any event, and probably will come well within the terms of any law intended to control this class of business. Such concerns as this have nothing to fear from regulation, nor should they oppose the attempts to place reasonable safeguards upon the business for the protection, not only of their

depositors and creditors, but of the entire country. If there is any reason why a national bank should maintain reserves against commercial deposits, the same reason will apply to commercial accounts in any other bank, whether called a trust company or not. A trust company with a large business in its trust department, if it also has a banking or savings department, owes it to its customers and to the public to see that the banking department is not so conducted as to endanger its trusts in the slightest degree. The very existence of those trust obligations should make its banking department ultra-conservative and careful, as so many of them are. The trust company, whose chief business is in its banking and savings department and is carefully and conservatively managed, is more interested than anyone else to prevent reckless and incompetent, or dishonest, men from securing similar charters which will permit them to run competing banks, without proper reserves or other safeguards prescribed by experience. Frederick D. Kilburn, Superintendent of the New York State Banking Department, says in regard to reserves in Trust Companies for March, 1904:

"After mature consideration of the subject and a study of the existing conditions, I am of the opinion that the whole matter should be regulated by statute. Before this is attempted, however, the banks and the trust companies should agree upon the provisions of any proposed legislation in this direction. All feelings of spite and selfishness, if any exist, should be forgotten. The interests of any particular institution, except as it may be in harmony with the interests of all, should not be considered. The law should be general in terms, and, if any class of deposits are exempted from its operation, sound reasons should be given for the exemption.

"I am well aware that many trust company officials, and some bank officials, will not agree with my view. Some think, and perhaps not without reason, that they are able safely and conservatively to conduct the affairs of their institutions without interference of this or any other kind; but others will sometime take their places, and then perhaps a less experienced and less conservative management will be in control. The whole matter should be adjusted with exclusive regard for the needs of the situation, and with the sole purpose of conserving the interests of all concerned. In the meantime, it should be remembered that trust companies and banks alike are

in the main founded upon the same general principles and are dependent to the same degree upon public confidence for success."

In his annual report for 1904, Mr. Kilburn also says:

"The right of domestic trust companies to hold stocks in private corporations might wisely be definitely defined, their right to engage in underwriting schemes unqualifiedly denied, and the obligation imposed upon them to carry a legal reserve. As a part of this latter proposition, I am confident that it would be advisable to require also that these institutions and the State banks in New York make weekly reports similar in scope to those submitted by the Clearing House banks and the non-member banks to the Clearing House Association."

Whatever regulation or control there is to be of the trust companies must come, for the present at least, from the State governments. Federal control of the national banks has been so satisfactory and successful that there is some desire expressed for federal control of other banks and trust companies. There has not been, however, so far as I know, any practical suggestion made by which these institutions can be forced or persuaded to submit to Federal control, especially if it is to be more severe than that now exercised by the States. Federal control, therefore, does not seem to me to be a present practical question.

Do not misunderstand this as in any degree an attack on the trust companies or as unjust criticism of them by a partisan of national banks. The trust companies can have no better friend than I am. I believe in them thoroughly; I recognize the great value of their past services and their possibilities for good in the development of our country in the future. There is abundant field and scope for both the national banks and trust companies, but they should work in harmony, aiding and supplementing each other. I speak in the interests of both, and in advocating more careful control and conservative management, I do so in the interest of the many splendid banks of both kinds whose able, honest, conservative management, with or without restrictive laws, is entitled to the protection which only such laws can give them against not only the competition but the danger to their institutions and the whole country which may come from institutions whose management is in less honest and less able hands.

Control and Supervision of Trust Companies

By Honorable Frederick D. Kilburn, State Superintendent of Banks of New York

CONTROL AND SUPERVISION OF TRUST COMPANIES

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In discussing the general question of the control and supervision of the trust companies in the country by the respective States in which they are located, I take it for granted that there can be no serious division of opinion. It is the general impression and desire among thinking men, who have given the subject consideration, that adequate and thorough control of institutions of this kind by the State is essential alike to their own legitimate success, and to the safety of the public. And especially is this true in view of the great development of our country's resources, the vast extension of its influence, the undreamed of expansion of its domain and the wonderful growth and combination of business enterprises all over the country which the last ten years of our history have witnessed. Not until recent years has there been a State supervision of these institutions in any comprehensive sense, or by general laws regulating their formation and control.

Trust companies are private corporations created by the State. They are privileged to take charge of private estates, and to act as executor, administrator and guardian—relations which imply the most sacred trusts. Their powers and privileges in other directions are varied and extraordinary, and altogether their character and purposes are of such a nature that there should be the closest and most efficient State control and supervision over them that can be devised, to the end that, so far as human foresight can prevent, there shall be no betrayal of the interests committed to their care, nor failure by them to meet promptly and faithfully their engagements. But this judgment is not intended to imply that an administrative bureau should undertake a regular examination of each specific trust, nor do I believe that experience has shown this to be necessary. If it be made certain that the affairs of a corporation of this class are being managed in general with prudence and wise judgment, that its investments are of a character carrying the

guaranty of a reasonable income return and of safety—in a word, if general examinations show a company solvent, strong and prosperous, and conducted in accordance with the law—the question of the proper discharge of each specific trust can be left without risk to the company and to the determination of the Courts at the final accounting, when, if any default or wrong be shown, the company being responsible and abundantly able to pay, correction or reparation may easily be enforced.

All trust companies organized in the State of New York prior to 1887 were formed under special charters granted by the Legislature. The first such charter granted was to the Farmers' Fire Insurance and Loan Company, now the Farmers' Loan and Trust Company of New York City, one of the largest and most conservative companies in my State. It was chartered in 1822, and was given the power to make loans upon the security of bonds and mortgages, or upon conveyance of improved farms, houses, manufactories, or other buildings, or on any other real estate, or on the security of corporate stocks. It was also empowered to carry on the business of fire and life insurance. It was prohibited, however, from taking deposits, or from discounting promissory notes, bonds, due bills, drafts or bills of exchange; nor was it allowed any banking privileges or business whatever. The same year the charter was amended to confer upon the company the power to act as trustee.

Other charters were granted from time to time, all containing special privileges to a greater or less extent, such as insurance, title guarantee and mortgage features.

Many of the savings banks' charters, which until recent years were also the creatures of special legislation, carried trust company powers. Some trust companies were required to report to the Comptroller of the State, and others to the Supreme Court. The powers and privileges granted to one differed perhaps radically from those granted to another. Some of the charters were extremely liberal in their provisions, and included powers which would be regarded as inconsistent with the proper functions and purposes of these institutions as they have developed and as they exist to-day. There was no supervision, except of a superficial and perfunctory character. There was no comprehensive system of reports, and the whole matter was in a chaotic condition. Notwithstanding all this, and though,

there have been instances of voluntary liquidation and of merger and consolidation, there have been but two failures of trust companies in the history of the State where the depositors and general creditors were not paid in full. One of these failures was that of the National Trust Company, which occurred in 1877, and the other The American Loan and Trust Company, occurring in 1891.

In 1887 a general act was passed in the State of New York regulating the formation of trust companies and defining their powers and privileges. This act provided that any number of natural persons (not less than thirteen), three-fourths of whom should be residents of the State, might associate themselves together for the purpose of organizing a trust company; that in no material respect should such company's name be similar to the name of any other trust company organized and doing business in the State; that the certificate should state the place where the business was to be transacted, the amount of the capital stock and the number of shares into which the same should be divided, and the name, residence and post office address of each member of the company; the term of the company's existence, which should not exceed fifty years; and the declaration that each member of the association would accept the responsibilities and faithfully discharge the duties of a trustee if elected to act as such. It provided that the certificate should be executed in duplicate, one of which should be filed in the office of the Clerk of the county wherein the trust company was to be located, and the other in the office of the Superintendent of Banks. It also provided for the publication for four weeks of a notice of intention to organize. It defined the powers and duties of trustees. It provided that the capital stock must be at least five hundred thousand dollars, except that trust companies with a capital of not less than two hundred thousand dollars might be organized in cities the population of which did not exceed one hundred thousand inhabitants.

It also provided that the capital of the company should be invested in bonds and mortgages on unincumbered real estate in the State of New York, worth at least double the amount loaned thereon, or in stocks of the State of New York, or of the United States, or in the stocks or bonds of incorporated cities or counties of the State of New York duly authorized to be issued. It provided further that all trust companies organized under the act should be

corporations possessed of the powers and functions of corporations generally, and as such should have power:

To make contracts;

To sue and be sued, complain and defend, in any court as fully as natural persons;

To act as fiscal or transfer agent of any state, municipality, body politic or corporation; and in such capacity to receive and disburse money, and transfer, register and countersign certificates of stock, bonds or other evidence of indebtedness;

To receive deposits of trust moneys, securities and other personal property from any person or corporation, and to loan money on real or personal securities;

To lease, purchase, hold and convey any and all real estate necessary in the transaction of its business, or which the purposes of the corporation may require, or which it may acquire in the satisfaction, or in partial satisfaction, of debts due the corporation under sales, judgments or mortgages;

To act as trustee under any mortgage or bond issued by any municipality, body politic or corporation, or accept and execute any municipal or corporate trust not inconsistent with the laws of the State;

To accept trusts from and execute trusts for married women, in respect to their separate property, and to be their agent in the management of such property, and to transact any business in relation thereto;

To act under the order or appointment of any court of record as guardian, receiver or trustee of the estate of any minor the annual income of which is not less than one hundred dollars, and as depositary of any moneys paid into court;

To manage estates, collect rents, etc.;

To take, accept and execute any and all such trusts and powers of whatever nature or description as may be conferred upon or intrusted or committed to it by any person or persons, or any body politic, corporation or other authority;

To purchase, invest in and sell stocks, bills of exchange, bonds and mortgages, and other securities, not including, however, the power to issue bills to circulate as money;

To be appointed and to accept the appointment as executor or trustee under the last will and testament, or as administrator with or without the will annexed, of the estate of any deceased person, and to be appointed and to act as the committee of the estates of lunatics, idiots, persons of unsound mind and habitual drunkards.

The act also provided that no loan should be made by any trust company, directly or indirectly, to any trustee or officer thereof.

It was also made the duty of the Superintendent of Banks to ascertain from the best sources of information at his command whether the general fitness for the discharge of the duties appertaining to such a trust of the persons named in the certificate was such as to command the confidence of the community in which such trust

company was proposed to be located, and whether the public convenience and advantage would be promoted by such establishment. It was left entirely to the discretion of the Superintendent, based upon the result of these inquiries, to authorize, or not to authorize, the formation of the company. These are the principal features of the law of 1887.

In 1892 a general and comprehensive revision of the Banking Laws was made and embodied in one act, now known as the "Banking Law," which relates to all corporations under the supervision of the Banking Department, including State Banks of Discount, Trust Companies, Savings Banks, Building and Loan Associations and Safe Deposit Companies.

There have been some amendments to the general law of 1887, but, with one or two exceptions, these amendments have been of minor importance, and the law to-day is substantially that passed in 1887, the principal features of which have been summarized.

One of the amendments in the revision of 1892 provided that every trust company incorporated by special law should possess the powers of trust companies incorporated under the general law, and be subject to such provisions of the general law as are not inconsistent with the special laws relating to such specially chartered companies:

Another provided that companies might be organized with a capital of $150,000 in cities containing more than twenty-five thousand and less than one hundred thousand inhabitants, and with a capital of $100,000 in a city or town containing not more than twenty-five thousand inhabitants; and

Another allows a director or officer to borrow a sum not exceeding ten per cent. of the capital stock upon the approval of the Board of Directors.

The law also provides that the capital of every trust company shall be invested in bonds and mortgages on unincumbered real property in this State to an amount not exceeding sixty per centum of the value thereof, or in the stocks or bonds of the United States, or of the State of New York, or of any county or incorporated city of the State of New York duly authorized by law to be issued.

It compels the Superintendent to examine, or cause to be examined, every trust company in the State at least once in each year,

and empowers him to make an examination also, whenever, in his judgment, it may be necessary or expedient to do so.

It requires each company to report to the Banking Department its condition on the morning of the first days of January and July, which report must be in such form, and contain such particulars as the Superintendent may designate or require.

It is also provided that, if it should appear to the Superintendent of Banks that any trust company has violated its charter or any law of the State, or is conducting its business in an unsafe or unauthorized manner, he shall, by an order under his hand and official seal, addressed to the company, direct the discontinuance of such illegal or unsafe practices; and, if it shall appear to the Superintendent that it is unsafe or inexpedient for the company to continue business, he shall communicate the fact to the Attorney-General, who shall thereupon institute such proceedings against the company as are authorized in the case of insolvent corporations, or such other proceedings as the nature of the case may require.

There are in New York State to-day seventy-nine trust companies, twenty-five of which were organized under special charters, and the others under the general law, but in practice all exercise substantially the same powers and are engaged in the same classes of business, and are now controlled by substantially the same laws.

A few statistics concerning them may be of interest, and perhaps important in considering what should be done, if anything, in the way of enlarging or extending State supervision and control. There were eighty-one trust companies in the State on the first day of January, 1904, forty-eight of which were located in the city of New York:

The combined capital on the first day of January, 1904, was	$63,750,000
Their surplus and undivided profits on book values	141,504,561
and on market values	143,087,880
Amount due depositors, including the amounts due other trust companies, savings banks and banks	807,182,140
Their combined resources amounted to	1,039,735,828
They had—	
Bonds and mortgages	59,534,679
Bond and stock investments	225,386,955
Loaned on collateral	510,928,626
Bills purchased	56,714,963

Real estate	14,376,379
Cash on deposit	125,392,247
Cash in vaults	26,894,136
and overdrafts amounting to but	41,123

Their net earnings for the year 1903 were $17,383,608, or $8,333,-756 in excess of dividend distributions.

The New York law, though excellent in character and comprehensive in scope, is not perfect. In a report to the Legislature in January, 1904, the writer recommended that trust companies located in the city of New York be compelled to keep legal reserves of fifteen per cent., one-third in cash and the balance on deposit. For the balance of the State ten per cent. was suggested, one-half of which should be in cash. This proportion seems sufficient when we take into consideration the fact that a trust company is obliged to invest its capital in the manner heretofore pointed out.

The Clearing House has attempted to regulate this question by an amendment to its constitution, prohibiting Clearing House privileges to trust companies unless they keep a reserve in accordance with the Clearing House requirements. The Clearing House, however, is powerless to compel the observance of its rule. The trust companies simply withdraw from the privileges of this institution if they do not wish to observe its regulations. In any event, but few of them ever availed themselves of these privileges.

It is, of course, proper, and in accordance with the well established policy of the law, that trust companies should be the custodians of trust funds and moneys not daily employed in the business of the country; and I am not aware that any state prohibits a trust company from receiving on deposit the moneys employed in the daily and active business of merchants, manufacturers and other business men. It is doubtful, however, if this was the original intention of the framers of the laws, either special or general, under which trust companies are organized.

I may seem to have given too much attention to the banking features of my subject at the expense of the trust features.

It is exceedingly difficult sometimes to distinguish between deposits which are genuinely trust deposits and those of a purely banking character. One great and conservative trust company in the city of New York reports all of its deposits as trust deposits,

and yet the only difference between these and ordinary deposits is that they are represented by certificates containing the provision that they will be paid upon five days' notice. But commercial deposits form so large and important a feature in the transactions of all the companies that control and supervision in this direction necessarily covers, if not the details, at least the general character of transactions, and determines whether a company deserves confidence, or needs to be curbed and corrected in its operations.

On January 1st, 1904, the trust companies in the State of New York reported trust deposits to the amount of $215,929,174, all but about $7,000,000 of which are in trust companies in Greater New York.

The trust companies of the State had at the same time general deposits amounting to $591,252,966, included in which are $35,000,000 belonging to other trust companies, $35,000,000 belonging to savings banks, and $20,000,000 due banks, bankers and brokers.

If, therefore, trust companies are allowed to take on deposit active business accounts, they should be compelled to keep a safety fund in the way of a reserve against deposits of this kind, as Banks of Deposit and Discount are obliged to do.

In the report mentioned it was also recommended that trust companies be prohibited from engaging in underwriting schemes:

"Trust Companies should be prohibited by law from engaging in underwriting schemes. In my opinion it is sufficient for them to be allowed to invest in the securities of private corporations only after these securities have had inception and their value tested upon the market. Those who underwrite enter into their engagements, of course, upon the expectation of being able to market the securities for which they subscribe at a greater price than that which they promise to pay. This is not investment; it is speculation, in which trust companies ought not to be allowed to use the money of their depositors.

"The experiences in New York within a year or two, where bonds thus put out have had very great depreciation, regardless of the strength of their support, have occasioned many regrets and sore memories. I hold, therefore, that it is not enough that the door be closed effectually against excessive purchases of stocks of private corporations, but that it should be shut also against a too close and dangerously large identification in any manner of the fortunes of a trust company with experimental and hazardous schemes for the financing and development of properties, which, even if eventually successful, may have before them long years of uncertainty and difficulties. The public's deposits deserve to be guarded against such reckless employment, and the statute should be so changed

as at least to impose a limit beyond which operations along such lines can not be lawfully carried."

Since the report was written no grounds have arisen for a change in the views there expressed. In fact, further reflection but confirms the opinion that Trust Companies should be absolutely prohibited by law, not only from investing on their own account in the untried and "undigested" securities which, especially of late, have been so prevalent in the markets, but also from so identifying themselves with highly speculative ventures as to create the impression with the public that the trust companies are sponsors or guarantors for such enterprises. The good name of a financial institution should be a real and substantial asset, and good faith should be always a characteristic of its management, so that its indorsement, even if implied only, may be accepted with absolute confidence and trust. A trust company cannot afford, nor should it be permitted under the law, to lend its credit or give its moral support to enterprises which, through reckless violation of sound principles, may involve scandals and disaster.

I fear there is a popular impression that it is an ordinary and frequent occurrence for trust companies to engage in enterprises of this kind, and in a general way to enter the field of speculation. This, so far at least as New York State is concerned, I can positively refute. Two or three unfortunate instances of the kind, to which great publicity has been given, have created the impression that trust companies, especially in the city of New York, are in a general way engaged in promoting schemes and in underwriting the securities of corporations and combinations unworthy of public confidence.

Many people rush to the conclusion that, because one company has committed flagrant violations of the law and engaged in schemes of the kind to which I have referred, therefore all must be to a greater or less extent involved in the same unwarranted and unlawful practices. This was well illustrated in the story of the failure of the United States Shipbuilding Company, and of the connection of the Trust Company of the Republic with the financing of that corporation's affairs. This was a case where liabilities were incurred which not only jeopardized the solvency of the trust company, but flaggrantly transgressed the law. Upon the first intimation that the trust company had made unusual commitments a special inquiry

was instituted by the Banking Department, and I confess that I was amazed at the extent to which the president of this company, either with the passive acquiescence of the directors, or without their knowledge, had committed his company. Through the power given me by the law I was enabled to save all depositors from loss, and the company from dissolution, by using its entire surplus and one half of its capital stock of one million dollars. The publicity of this affair did more to discredit the trust companies in the city of New York, and especially some of the newer organizations, than anything that has happened for years. It has, at the same time, furnished a salutary lesson and warning.

But let me emphasize that I must not be understood as asserting that there is no opportunity for improvement in the general administration of these companies' affairs, though I do wish to dispel the impression that they are as a class engaged in dangerous and speculative enterprises, or are being conducted in a reckless and unsafe manner. Their stability and soundness have been too well tested during the long years of their operation in New York State to require other refutation of this general insinuation, and instances of unlawful procedure or reckless investment by them are too infrequent to warrant any general distrust of their stability. If the laws under which they are organized are imperfect or inadequate, they can be amended. If the powers of the Superintendent are insufficient, they can be increased. If the Superintendent is incompetent or neglectful of duty, he can be replaced.

There is no general law in the State of Massachusetts for the organization of trust companies. There is, however, a bill now before the Legislature of that State for that purpose, drawn largely upon the plan of the New York law. A bill has also been introduced compelling trust companies to keep reserves, and regulating the amount. There is a general law of the State (Chapter 116 of the revised law) which provides that domestic trust companies incorporated subsequent to the 28th day of May, 1888, shall be subject to its provisions, and that any such corporations chartered prior to that date which have adopted, or which shall adopt, according to law, the provisions of that chapter, or any section thereof, or the corresponding provisions of earlier laws, shall be subject to the provisions so adopted.

Michigan has a very comprehensive general law for the organization and control of trust companies. Organization under it, however, is unrestricted.

Maine has no general law for organization or control. All trust companies in that State are organized by special legislation. Before 1893 these special charters contained various provisions such as might suggest themselves to the parties seeking them. Since that time, however, they have been modelled after a general form regulating their powers, and providing for State control and supervision to a limited extent.

In Illinois trust companies are quite generally organized under the banking act, which confers upon State banks the power to accept and execute trusts. Before assuming the exercise of such powers, however, they must deposit certain securities with the State Auditor.

Connecticut has no general law whereby any bank, savings bank, or trust company can organize or do business. Each derives its powers from special legislation. It has, however, a general law governing State Banks and Trust Companies, but the power of supervision is inadequate.

Pennsylvania does not seem to have any general law for the organization of trust companies. They are organized under the General Corporation Act of 1874, and their powers are defined in various supplements to that act, passed in 1885, 1889 and 1895. It, however, has a general law very much like that of New York providing for supervision and defining the powers of the Commissioner of Banking.

New Jersey has a general act under which trust companies may be organized, and defining their powers. This act is also very similar in many features to the New York law.

New Hampshire and Vermont have no general laws upon the subject so far as uniform method of organization is concerned. In Vermont many of the trust companies have the words "savings bank" in their titles, although they have no savings bank powers.

Ohio and Minnesota both have general laws for the organization of trust companies, and defining their powers and privileges and providing for their supervision.

The banking law of Wisconsin makes no provision whatever for the organization, supervision or control of trust companies. So I

assume that the institutions of this kind in that State, if any exist, are the creatures of special legislation.

It will be seen that each State is a law unto itself in the matter, and that the variety of powers, privileges and purposes of trust companies in the country is only limited by the conditions and necessities existing in different localities and the conceptions of human ingenuity. The Federal government has not the power to regulate or control in matters of this kind. This power must be left to the respective States, where I believe it can safely remain, though it is to be recognized that the question ought to have the best and most careful consideration that financiers and publicists can give to it. The one tendency most to be feared regarding it is the too great readiness of some legislatures to grant to trust companies charters containing almost unlimited powers. The possession of power carries the temptation to use it, and if a corporation has the legal right to exploit a railroad or a mine in China or Timbuctoo, or to finance speculative schemes wherever it may choose, it is almost certain that some restless, not to say reckless, mind will be found in its directorate who will not be content while such power stands unemployed. The way of safety is, therefore, for legislatures to deny applications for trust company charters that permit any extraordinary latitude of operations out of which disaster might result. The ideal system would undoubtedly be a conformation ultimately of all charters of institutions of this class to some one general plan based upon conservatism and safety. This is probably not as yet practicable—perhaps not even advisable at present; for, while in my opinion it would be well if substantially uniform laws, liberal enough to include all desirable features and privileges, and yet sufficiently restrictive to prevent unsafe practices, could be enacted by all the States, diverse conditions existing in the different States might make it necessary to add to, or take from, general privileges, or it may be require more or less restrictive features in some localities which would not be salutary in others.

Experience is a great teacher, and the defects in our laws relating to trust companies, the mistake of granting of savings bank, banking, insurance, title guarantee, safe deposit and trust company privileges all in one charter, the granting of too generous privileges, or the enactment of excessive restrictions, will, in my opinion, all

be righted and regulated eventually, as experience and considerations of public safety, backed by an enlightened public sentiment, shall demand. Much has already been accomplished; evolution in this field having been going on for years, and still continuing. Especially is this true of the great financial centers of the East. I do not believe that there was ever a time when the general condition of the trust companies of New York was better than at the present. It must be remembered that they have more than doubled in number during the last six years, as they have also doubled in deposits and general resources. The marked depreciation in values and depression in business which have taken place in the last two years have been a great strain upon all financial institutions, and when we remember that not a trust company in the State of New York has become insolvent through it all, or failed to pay all debts upon demand, there would seem to be slight cause for apprehension regarding their safety, or room for criticism of their management.

I speak of my own State freely because I am familiar with conditions there, and can speak from knowledge. There is no reason why results should be different in other States where conditions and laws are substantially the same. I do not hesitate to state that the practices of some companies have met with just condemnation. Occasionally I have had reason to deplore and criticise the general condition and the policy of some companies under my supervision, but anything of a nature serious enough to imply failure or disaster, or to produce an unsafe or unsound condition, is exceedingly rare. Unsafe or even unlawful practices cannot be eliminated wholly in trust companies or other financial institutions so long as human nature remains fallible.

Aside from the conservative management which these institutions enjoy, I believe that the laws of the State of New York have done more to conserve their welfare than any other thing. Your president (and I hope I am not violating any confidence) in a letter to me used the expression "unregulated developments in matter of trust companies." In some States organization is unrestricted in the sense that no officer has the power to prohibit, provided the procedure is in accord with the statute, but in New York and in some of the other States a trust company can not be organized without the consent of the Superintendent of Banks, based, as has

been suggested, upon the fitness of the proposed incorporators and the advantage and convenience of the public; and, while many trust companies have been organized in the State of New York in the last six or eight years, more applications have been refused than have been granted.

Since the business of the country became less active, and business incorporations and combinations less frequent, the desire for trust company organization has proportionately abated. I am unqualifiedly in favor of State control, adequate and close control, not only of trust companies, but of all institutions of a financial nature which invite the public confidence and deal with the people's money. This control should be sufficiently comprehensive to regulate the organization, provide ample supervision, and restrict investment, in a way that will conserve, in so far as human ingenuity can provide, the interests of the public. Investment by such institutions, in untried securities, promotion of questionable enterprises, speculative underwriting of stocks or bonds, and all other acts of a nature involving dangerous investment or promotion of individual interests, should not only be prohibited, but made a penal offense if indulged in contrary to law. It would be well if the name "Trust Company" could have a uniform meaning throughout the land, always implying strict compliance with wise laws, adequate State supervision and control and conservative and safe management.

The Financial Reports of National Banks as a Means of Public Control

By F. A. Cleveland, Ph.D., New York University

THE FINANCIAL REPORTS OF NATIONAL BANKS AS A MEANS OF PUBLIC CONTROL

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The inquiry suggested by the title would seem to be one of possibility rather than precedent or present practice. Assuming this point of view, discussion will first proceed from a consideration of the law under which powers of control may be exercised. Broadly speaking, there are three legal questions raised: (1) What are the powers of control given by the National Bank Act? (2) Under the Act, what are the purposes for which control is to be exercised? and (3) In the exercise of powers granted by the Act, what devices or means may be employed by the Comptroller to reach these ends?

The Powers of Control given by the National Bank Act.

The first of these questions may be answered by direct appeal to the language of the Act. Section 87 of the National Banking law (Section 5211 R. S.) contains this specific mandatory declaration: "Every Association (*i. e.*, National Bank) shall make to the Comptroller of the Currency not less than five reports during the year, according to the form which may be prescribed by him." This general provision is supplemented by grants of specific power to the Comptroller, which enable him to call for other reports as often as he may desire, and to obtain such information as he "in his own judgment" thinks necessary "to a full and complete knowledge" of financial condition; a bank failing or refusing to comply with such request is liable to a penalty of $100 per day (Sec. 5213 R. S.). It would appear, therefore, that the Comptroller is not lacking in authority to obtain any and all information which may be necessary to administrative supervision. A further reading of the National Bank Act quite as concisely forces the conclusion that the Comptroller has all the power necessary to a complete control over National Banks and their operations, as to all subjects which are properly

within the range of official discretion; this power extends even to the taking possession of the bank itself and winding up its affairs for failure to comply with his demands.

The Purposes for which Control is to be Exercised.

This brings us to consider the second question raised, viz.: the subjects of official discretion, or *the purposes for which official control is to be exercised* under the Act. It has been repeatedly affirmed that the prime purpose of the National Bank Act was to create a better market for Government bonds at a time when the National credit needed support. In the midst of civil strife when the financial resources of the nation were strained almost to the point of bankruptcy it was conceived that a very large part of the capital employed in commercial banking enterprise in the United States might be utilized to support the Government. The plan proposed was an old one—one in which the banks, being induced to use their capital to purchase Government bonds, would be permitted to use bank notes with which to carry on their business. By this device it was thought that the financial strength of the banks might be brought to the support of the Government—*i. e.*, that the State banks might be induced to bring over their capital into a new National system where it might be utilized in the manner indicated.

To make such a scheme acceptable, however, two conditions must be met: The first result of such a plan of support to the bond market would be a large increase in the money circulation of the country; the bank-note would not be received unless it were made as sound (*i. e.*, as valuable) as the money then in current use—the greenback. But this was not the only condition that the Government must reckon with. In the experience of the past, business had suffered quite as much from unsound bank credit in the form of customers' accounts (or deposits) as it had from an unsound currency. National reaction against "wild-cat" banking had but recently forced the several State systems over to a basis of capitalization and official inspection to protect the people against wholesale fraud and bankruptcy. If these State institutions were to be brought into a National banking system—if the Government was to utilize their capital resources to fund its own necessities—the new National system

must carry with it all the provisions for safety and for the protection of the public against the speculative devices of the unscrupulous that three decades of legislative reaction had evolved.

Wild-cat banking was banking on "commercial assets" without adequate capitalization. From 1837 to the time of the Civil War the whole trend in banking ideals and in banking legislation was toward the strengthening of banking equipment. It had been found from bitter experience that a bank which was not properly capitalized, and which therefore did not have capital resources sufficient to support its credit transactions, was as dangerous to those coming into business contact with it as was a mine or a factory whose construction was faulty and whose machinery was overcrowded. To the public, the poorly-equipped bank was much more dangerous than the mine or the factory by reason of the fact that, in case of collapse, a much larger number of people were constantly within the danger line.

After two years of agitation and amendment and compromise an acceptable law was enacted. This Act carried with it two protective features: (1) the note was to be secured by a collateral deposit of bonds purchased, and (2) those holding the credit accounts of the bank were to be protected by provisions which required what was thought to be adequate capitalization before business might be begun, and by the exercise of official supervision to prevent "impairment of capital" during the period that business should continue. It was for the purpose of enforcing these two provisions of safety and security that the Bureau of the Currency was created and a Comptroller was appointed.

Means by which Control may be Exercised, and the Ends of the Act Reached.

The functions of the Comptroller have a direct relation to the conditions above described. The first or, as it was then viewed, *the prime purpose* for which public control was to be exercised was *to guarantee the soundness of the new National currency.* This is clearly expressed in the first clause of the Bank Act which recites: "There shall be in the Department of the Treasury a Bureau *charged with* the execution of all the laws passed by Congress relating to *the*

issue and regulation of a National currency secured by United States bonds; the chief officer of which Bureau shall be called the Comptroller of the Currency * * * ." The *second purpose* of the appointment of a Comptroller is set out in various subsequent portions of the Bank Act designed *to insure adequate capitalization.* These later provisions of two classes, viz.: (1) Those designed to require adequate capitalization as a condition precedent to commencing business, and (2) those intended at all times to secure customers against loss on account of "impairment of capital."

That the "National Currency" which was to be issued through the agency of the banks might be kept as sound as the standard money (*i. e.*, that all forms of money issues might have a common valuation) provision was made that the bonds purchased by the banks might be hypothecated with the Treasurer as collateral security for final payment and redemption of notes outstanding. According to the provisions of the Act the Government was made a trustee for the benefit of noteholders. For each $900 of notes turned over to the bank by the Government for issue, the Treasurer was to hold a non-interest bearing account with the bank secured by a $1,000 bond. The obligation of the bank to the Government was for the repayment of $900 in bank notes, or legal tender money at its own option. The Government as trustee was the legal owner of the bond. The beneficiaries were (1) the noteholders to the amount of notes held, and (2) the bank for the amount of the current income on the bond and for its equity of redemption. This made the bank the immediate agency of redemption of the new currency, and the Treasurer, as trustee, the agent of ultimate redemption. Such a plan of National currency having been adopted, when a bank issued a note the customer took it, not on the credit of the bank, but as a beneficiary in the trust security held by the Government. The noteholder never inquired as to the credit of the bank through which the note was issued, but relied entirely on his claim against the security held in trust by the Treasurer. Since both bonds and greenbacks were Government credit the National currency secured by Government bonds was taken by the public to be as good as a greenback. Later when both greenbacks and bonds were redeemed in gold, this National currency came to be considered as good as gold. As a means of control (to secure the soundness of the circula-

tion or National currency so issued), therefore, the function of the newly created Bureau was to see that the trust account of the bank with the Treasurer was kept amply secured, and that the bonds held as collateral security were sufficient for this purpose. But all the data were at hand for determining this fact, and, the bonds themselves being in custody, the services of the Comptroller in his capacity as guardian of the currency became merely nominal and perfunctory. Moreover, for this service no *report* was necessary.

The Chief Functions of the Comptroller.

Not so, however, with the second function of control exercised by the Bureau—the protection of those who hold open accounts (or deposits) of the bank. The importance of this character of official guardianship has correspondingly increased—but not in its bearing on original capitalization. As at the beginning, the method of ascertaining whether the bank had the requisite capital resources to commence banking operations, has remained one of inspection and not one of financial report. The Comptroller must know that at least 50 per cent. of the amount of the authorized capital stock is actually in hand in money, and that the balance of the stock subscription is good, so that it may be realized in 10 per cent. monthly installments.

The most difficult duty which the Comptroller has to perform and the one of increasing importance to the financial world, is that which pertains to the security of the public against the "impairment of apital resources" *during the period that the bank continues in operation.* Knowledge as to the feature of the work must come largely from the reports made by the banks themselves, as the number of examiners is grossly inadequate to report more than a check on some of the main items of account. It is from this duty that the subject assigned takes its chief bearing.

Protection of the Public Against Impairment of Capital Resources.

To state more specifically some of the questions that the Comptroller must have in mind in asking for reports with respect to capitalization, Section No. 5202 R. S. provides that "no Association at any

time shall be indebted, or in any way liable, to an amount exceeding the amount of its capital stock (capital resources) at such time actually paid in, and remaining undiminished by loss or otherwise, except on accounts of the nature following: (1) Notes of circulation; (2) Moneys deposited with or collected by the Association; (3) Bills of exchange or drafts drawn against money actually on deposit to the credit of the Association, or due thereto; (4) Liabilities to the stockholders of the Association for dividends and reserve profits." Section 5203 R. S. specifies that "no Association shall either directly or indirectly, pledge or hypothecate any of its notes of circulation for the purpose of procuring money to be paid in on its capital stock, or to be used in its banking operations or otherwise; nor shall any Association use its circulation notes or any part thereof in any manner or form to create or increase its capital stock (capital resources)." Section No. 5204 recites that "no Association or any member thereof, shall, during the period it shall continue its banking operation, withdraw or permit to be withdrawn, either in the form of dividends or otherwise, any portion of its capital (capital resources)." Again, in Section No. 5205 R. S. the law requires that "every Association which shall have failed to pay up its capital stock, as required by law, and every Association whose capital stock (capital resources) shall have become impaired by loss or otherwise, shall, within three months after receiving notice thereof from the Comptroller of the Currency, pay the deficiency in capital stock (capital resources) by assessment upon the stockholders *pro rata* for the amount of capital stock (capital liability) held by each."

All of these, and other assignments of duty with respect to the protection of customers against impairment of capital, make necessary an official inquiry into the relation of *capital* resources to *capital* liabilities. They require a specific inquiry as to the capital resources at hand. For the purpose of determining whether or not the capital equipment of the bank has become impaired through "loss" on account of banking operations or "otherwise" a keenly analytical report is necessary. To properly execute this function of control it is necessary to distinguish the *capital* resources and liabilities, from the *other* assets and obligations of business.

The Present Value of the Report to the Comptroller as a Means of Control.

In taking up the "form" of report made by the banks to the Comptroller, attention will be confined to the inquiry as to whether or not it is well designed to give the information necessary to the exercise of sound official discretion. Is the form of report such as to enable one to determine whether the *capital resources* have become *impaired?* An examination of financial statements, as at present made, will disclose the fact that no attempt is made to distinguish "capital" resources and liabilities from the assets and obligations current to the business.

For the purpose of determining financial condition of a going concern, it has become an established principle of analysis that capital resources are all those properties and assets which are intended for permanent or continuous use in the business. Two principles of administration are well settled: (1) To prosecute an enterprise successfully, it is necessary to provide the management with equipment adapted to its purposes; and (2) whatever property, equipment, and stock, is permanently or constantly needed, should be provided out of capital investment. This is the purpose for which capital is needed. Proper equipment is necessary to success. As a matter both of financial advantage and of financial safety, this equipment should be provided out of capital. To attempt to provide permanent equipment out of temporary loans, or floating debt, is to hold the enterprise in constant jeopardy. This is as true of a bank as it is of a railroad or of a mine, and this is the underlying thought of the Law.

The *current assets* of an enterprise are those which are acquired, not for *equipment use* in the business, but those which are acquired in its current transactions—*i. e.*, in the course of current operation for profit. It is to fund the current needs—to meet the current expenses—to provide funds to carry these current assets and transactions—that current liabilities or floating debt is incurred. If the principles of financial analysis commonly employed in accounting are applied to the assets and liabilities of national banks, conclusions may be reached as to whether or not the capital resources have been impaired as well as whether or not the permanent equipment is

adequate to support its operations with safety to those who may be in business contact with the institutions under examination.

What are the Capital Resources of National Banks?

The reports, as at present made to the Comptroller, are not based on such a system of analysis, and, therefore, any attempt at rearrangement to this end must be in a measure unreliable. But taking the various items of resource exhibited as a basis for present discussion, a fair approximation may be reached: (1) "Banking houses and fixtures" are unquestionably capital resources. (2) "Real estate," in contemplation of law and from every point of business reasoning, should be charged against capital. (3) The bank invests its capital in bonds to secure circulation, and receives on the collaterals deposited notes which may be used in the business—the "margin" of capital invested in these collaterals should be considered a capital charge; the same is true of the "margins" invested in the collaterals deposited to secure Government deposits. (4) The "money reserve" is essentially a capital reserve; it is the principal equipment necessary to support the current credit accounts (deposits) outstanding—the floating debt of the business. There can be no doubt that the "cash" held by a bank should be a direct charge against capitalization, and is made so by legal enactment—the only question with reference to this class of items pertains to the interpretation to be given as to what properly constitutes "money reserves." (5) The accounts which it is necessary for a bank to maintain to provide for an "exchange" are likewise an asset permanently needed and in continuous use; they should, therefore, be counted as a part of the necessary banking equipment. (6) Finally the "unencumbered securities" and "other direct investments of capital" owned and held by a bank as a means of strengthening its money reserve should be regarded as capital resource. These must be so considered for the reason that the direct application of capital to the purchase of "securities," or for that matter even the purchase of commercial paper, is not banking. There can be one purpose only for making such purchases, viz.: to keep the capital which is needed to support credit transactions invested in income-producing assets when not needed in the form of "cash." "Securi-

ties" must be considered either as banking equipment, or as an investment which is a charge on capitalization. The same is true of all other direct investments of capital. A bank which engages in buying and selling "securities," in "underwriting flotation" or in other business not in the nature of banking, needs to have a larger capital than an institution which does not so engage itself. Whether the capital investment be in banking equipment, or in other assets and business ventures, the amount of funds thus engaged by the banks should be set up as capital resources, or charges against the capital provided for doing business, the protection of which is the chief end of control.

These several classes of assets being in the nature of capital resources, the relations, pertaining to which the duty of the Comptroller obtains, are to be found: (1) in a comparison of the *capital resources* on hand, with the amount of capital provided for use of the institution under examination; and (2) in an examination of *current assets* to ascertain whether there have been any losses suffered in the prosecution of the business, since all "bad loans," etc., must be charged against capital. The accounts exhibiting capital put into business are found on the liability side of the balance sheet. The capital provided for use is represented in three controlling accounts, viz.: "Capital Stock," "Surplus" and "Undivided Profits." Of these the first two items are permanently reserved for use in the business, and the third must remain in it so long as there is any question as to the impairment of capital resources. Before any comparison may be made for the purpose of determining what character of investments has been made of capital put into the business, the statement of assets reported by the banks must be assumed to be based on a proper valuation, or a critical examination must be had. For this purpose the Comptroller may supplement the report made by the bank itself, with the report of his examiners in whose field the bank lies, or may detail a special examiner if the case seems to warrant such an assignment. In any case, however, a distinction must be made between the current accounts and the capital accounts.

Classification of Balance Sheet to Show Financial Condition.

Intelligent judgment as to the character of equipment provided

by a bank by capital investment requires a *classification of resources*. The exercise of official discretion with reference to the integrity of capital resources which proceeds from the examination of financial reports, makes a *classified balance sheet* a necessity. To the end of establishing a basis for the further discussion of "the financial report as a means of control," and at the same time of showing some of the difficulties which stand in the way of the exercise of effective control under the present form of report, an analysis of the consolidated statement of all the National Banks of the State of Iowa for September 9, 1903, is here exhibited. The classification submitted is not offered as a model in the arrangement of items. Neither is the assignment of inadequacy of the present form intended to reflect on Comptrollers past or present. The form now used is in effect that which has been employed by officers of banks for a century; it has been used by comptrolling officers of government since public examination first began. Suggestion that a change might be made to advantage is not therefore to be considered as offered in the spirit of reflection on official conduct, more than a proposed amendment of law would imply legislative incapacity. Not engaging any spirit of personal criticism and holding in mind my own inability to do more than suggest that a classified balance sheet is essential to further consideration of the topic assigned, the following statement of capital accounts is modestly offered as a tentative and provisional arrangement:

CAPITAL ACCOUNTS.

Capital in the Business.

I.	Capital Stock	$14,881,550
II.	Surplus	3,533,641
III.	Undivided Profits	2,085,923
	Total Capital in the Business	$20,501,114

Capital Investments and Equipment.

I.	Banking-house, etc.	$2,193,300
II.	Real Estate	347,775
III.	Margins:	
	I. Amount invested in Collaterals:	
	(1) U. S. Bonds for Circulation, $8,742,010	
	(2) U. S. Bonds for Deposit .. 2,391,100	

	(3) Other Sec'ties for Deposit	.....		
	(4) Premium on Bonds (?)	313,006		
	(5) 5 per cent. Fund in Treas'y	424,880		
	Total Investment		$11,870,996	
	2. Less Cash Received:			
	(1) Circulation	$8,690,245		
	(2) U. S. Deposits	2,324,773		
	Total Avails		11,015,018	
	Capital Invested in Margins			855,978
IV.	Cash Reserves:			
	1. Cash Items (?)		$475,136	
	2. Bills of Other Banks		481,461	
	3. Frac. Currency		36,515	
	4. Specie		2,988,269	
	5. L. T. Notes		1,498,104	
	6. U. S. Certificate of Deposit		.....	
	7. Due from U. S. Treasury		8,512	
				5,487,997
V.	Balances kept with Banks for Exchanges (?)			2,100,000
VI.	Unencumbered Securities:			
	1. Securities Owned:			
	(1) U. S. Bonds on Hand	$18,400		
	(2) Stocks, etc.	3,147,380		
	Total		$3,165,780	
	2. Less Incumbrances:			
	(1) Bonds Borrowed	$53,210		
	(2) Bills Payable (?)	624,500		
	(3) Other Liabilities (?)	79,816		
	Total		757,526	
	Amount Invested in Unencumbered Securities			2,408,254
VII.	Other Direct Investments of Capital:			
	1. Loans to Reserve Agents			7,107,810
	Total Capital Investments and Equipment			$20,501,114

Attempting to state the amount of capital put into the business, and to account for its investment, in the above exhibit it is assumed that the valuation of assets represented in the reports of the Comp-

troller is conservatively made, and that there are no "bad loans" to be written off. But even with this assumption, and for this purpose, the form of report made by the banks to the Comptroller renders many of the items doubtful: (1) In the statement of "premium on bonds" as one element in the computation of the amount of capital locked up in "margin" there is no way of distinguishing this from premium on "bonds on hand;" (2) In the "cash items" it is of frequent occurrence for banks to include expense vouchers which are to be held till the end of the month; in so far as these were included the statement of the amount of "cash reserve" is too large; (3) the amount stated as "balance kept with banks for exchange" must be roughly approximated as no specific inquiry is made in the present form submitted by the Comptroller to determine this fact—the amount of clearing-house exchanges held is $141,000; assuming that the amount of exchanges outstanding against the banks under consideration averages $175,000, and further, that it requires on an average three days for them to be presented and paid, the average balance needed to be kept for the redemption of exchanges would be $525,000. Assuming again that four times this average amount would place the banks of Iowa in a position at all times to meet exchanges, it would be necessary to carry only $2,100,000 on account with other banks for exchange purposes—this amount is arbitrarily set up; (4) under the head of "incumbrances" on "securities owned" it is assumed that the "bills payable," and "other liabilities," stand as incumbrances on stocks, bonds, etc. This is true to the extent only that these liabilities are based on stocks and bonds hypothecated as collaterals, and in so far as this is not true the account would be varied by an exact return such as might be obtained from the bank; (5) the amount exhibited as "loans to reserve agents" is stated on the assumption that the purpose of such investment is to have a quickly convertible asset by means of which cash may be obtained when the money reserve runs low—a bank making a statement to the Comptroller under a form calling for this specific item of capital reserve might set up some other form of asset as a "direct capital investment." In each and all of the items above mentioned there are elements of doubt—elements which require questions to be raised; but each

of them might be made certain by a different form of inquiry submitted to the banks by the Comptroller.

The Uses which may be made of such an Analysis.

But assuming for the purposes of present discussion that the above analysis of capital investment were true to the facts, let us see what use might be made of such form of report. In the first place we may seek to eliminate those investments which are not in the nature of banking equipment. The building in which the bank is housed is not essentially banking equipment. The banking business is a credit business; primarily, it consists of the exchange of bank credit for commercial credit at a profit. Investment in a building does not strengthen the concern in its current credit relations. Many of the largest banking institutions do not own a building. The prime purpose of capitalization being to provide equipment with which to supply funds to the community in the form of demand credit, any use of capital to purchase a building must be considered as an extraneous investment not available for the support of the credit of a going concern. "Real estate" belongs to the same class of investments. This has been so often said that it has become axiomatic in commercial banking circles. The "margin" invested in the securities hypothecated with the Government is also not available to the business as a going concern. All of the above classes of assets are important as assets for final liquidation, but to a going concern they are purely voluntary and ornamental and bear much the same relation to the business of banking that the gilded dome on the Congressional Library does to the value of its literary stores within. Whether in contemplation of law this amounts to an impairment of capital or not, the fact remains that $3,397,053 of capital invested in this way has weakened the banks of Iowa as going concerns, and to that extent.

Another class of considerations attaches to the remaining classes of capital investments—those resources used to support the banking transactions themselves. Assuming that the banks had made return of redemption equipment as above exhibited, the Comptroller as an agent of the Government should know whether this equipment is adapted to the use for which it is intended. The unencumbered

securities, for example, being intended for an invested reserve to strengthen the cash reserve held to support demand accounts (deposits outstanding), the question pertinent to this use is: "Are these securities immediately convertible by sale or hypothecation without loss of principal?" If, again, any of these are held as the result of underwriting, this fact would suggest that a portion of the bank's capital was being employed in business other than banking and there would be an impairment in use if not in valuation. By some such classification facility would be given to many other official inquiries directed toward the protection of the people against impairment of the capital resources needed by a going banking concern.

A Point of Control not Adequately Covered by the National Bank Act.

While the National Bank Act is very specific as to the powers of control directed against the "impairment of capital" there is another element of banking strength or weakness quite as important that has been neglected, viz.: the protection of the customer against overburdening the equipment used. Judgment as to safety must rest not alone as to the absolute strength of material used in construction and equipment, but this having been determined it must then be compared with the weight or strain to be supported. To be more concrete, every facility is given to such inquiry as the Comptroller may make to protect the capital put into the business against deterioration, but almost no provision is made for inquiry as to whether the credit burden imposed by the bank officers on this equipment in the prosecution of the business is greater than it can safely bear. There is no provision made for correlation of capital equipment with the credit liabilities incurred in the course of the banking business. These obligations must be met on demand, and safety requires that they should be met by capitalization. This is the essential difference between what has been known as wild-cat banking and sound banking as contemplated in the National Bank Act. Banking activities are represented in its current assets acquired and the current liabilities incurred in banking operation. To concretely exhibit this class of financial results, reference will again be made to the summary for the State of Iowa above used in the statement of capital accounts:

ACCOUNTS REPRESENTING BANKING OPERATIONS.

Current Liabilities—Incurred in Banking Operations.

I.	Due to Banks and Bankers:		
	(1) Due to National Banks	$2,362,481	
	(2) Due to State Banks	4,257,426	
	(3) Due to Trust Companies, etc	3,258,966	
	(4) Due to Reserve Agents	18,377	
			$9,897,250
II.	Commercial Credit Accounts:		
	(1) Individual Deposits	$58,606,777	
	(2) Deposits of U. S. Disbursing Officers	42,586	
			58,649,363
III.	Miscellaneous:		
	(1) Dividends Unpaid		12,467
	Total Current Liabilities		$68,559,080

Current Assets—Acquired in the Course of Banking Operations.

I.	Due from Banks and Bankers:		
	(1) Due from National Banks	$2,698,877	
	(2) Due from State Banks	1,058,729	
	(3) Balance due from Reserve Agents	1,483,918	
	(4) Clearing House Exchanges	141,352	
			$5,382,876
II.	Commercial Assets:		
	(1) Loans and Discount	$62,159,426	
	(2) Overdrafts	1,121,025	
	Total	$63,280,451	
	Less Notes rediscounted	105,267	
	Net Commercial Assets		63,175,184
III.	Miscellaneous:		
	(1) Revenue Stamps		1,020
	Total Current Assets		$68,559,080

From the two summaries exhibited (the one of "capital accounts" and the other of "banking transactions") it appears that by means of a capital investment of $20,501,114 a banking business of $68,559,080 was carried on. With these results in mind let us determine, in so far as we may from the data in hand, what strain

was brought on capital equipment. In the first place, on what part of the equipment does the banking strain come? As before observed it is at once apparent that no part of the credit strain falls on the first three classes of equipment enumerated, viz.: (1) "Banking house and fixtures." (2) "Real estate," and (3) "Margins." From the point of view of the demands of commercial banking these are purely a gratuitous use of capital. Ownership of a house and furnishings is unnecessary—this paraphernalia may be leased and the rent charged to current expenses, and when a building is owned it is in the nature of a real estate investment; "real estate" owned is an incumbrance on banking capital and not banking equipment; the "margins" invested in bonds used as collaterals for notes and deposits are incidental to the system devised by the Government to strengthen its own credit and as such are not banking equipment—they are a further incumbrance on banking capital.

The equipment necessary to banking transactions is the "cash reserves," or "such invested capital reserves as may be readily converted into cash" and which may be used to meet demands on outstanding credit accounts without curtailing commercial accommodation. As a means of carrying on a business which consists in the exchange of bank "credit accounts" for "income-producing assets in the nature of commercial credit," the bank must establish and maintain a reputation for meeting its credit accounts on demand. The only way that this may be done with safety to its customers is by having capital resources in the form of "cash" when demands are made. The real test of banking strength, therefore, is to be found (1) in the "cash" on hand; (2) in "exchange balances;" and (3) in "unincumbered securities" and "other capital investments" readily convertible into cash. Again assuming the valuation of these capital assets to be conservative, the strength of banking equipment of the State of Iowa by this method of analysis, at the time stated, was $17,104,061.

But a comparison of strength of equipment with the credit strain upon it must be arrived at by bringing the two results together. The total demand obligations for the payment of money were in round numbers $68,559,080. That is, the equipment of cash and immediately convertible capital resources (irrespective of

the commercial assets) being $17,500,000, and the total amount of demand credit to be supported $68,500,000 the inverted pyramid would be $68,500,000 \ 17,500,000. But in getting at the amount of the strain that will fall on the capital resources this gross amount must be reduced. Eliminating by set-off the current institutional assets and liabilities the relation of credit outstanding to capital assets employed in a strictly banking business would be $63,200,000 \ 17,500,000. In other words, $17,500,000 invested in banking equipment have enabled the banks of Iowa to purchase about $63,200,000 of interest-bearing commercial assets, by means of about $63,200,000 of their own credit accounts supported by this equipment. The corporations have a gross income about four times as large, through banking operation, as they would have by direct investment of their capital in commercial paper; and they have furnished to the community credit funds which do the work of money equal to about four times the amount of money that would have been in circulation by direct investment.

The purpose of control is to make such a business safe and the differential of safety must be drawn from experience, leaving an adequate margin of protection to the public against contraction of the circulating medium as well as protecting customers against immediate loss from non-payment. The need for a better correlation of capital resources with banking operations carried on, may appear the more vividly by comparison of the several classes of banks reported:

COMPARATIVE RESULTS OF ANALYSIS OF DIFFERENT CLASSES OF NATIONAL BANKS, SEPTEMBER 9, 1903—STATED IN MILLIONS OF DOLLARS.

Classes of Items	All National Banks of the United States	Banks of Reserve Cities	Banks of St. Louis	Banks of Chicago	Banks of New York	Banks of Central Reserve Cities
CAPITAL RESOURCES						
Banking House, etc.	$107	$ 25	$ 1.2	$ 1.3	$ 20	$ 23
Real Estate, etc	21	4	.1	.2	3	3
"Margins"	58	13	1.0	.6	15	17
Cash Reserves	$606	$147	$18.4	$42.7	$177	$248
Exchange Accounts (?)	40	16	4.5	.....	.....	.....
Securities	478	116	3.3	.....	.....	.....
Other Direct Capital Investments	.....	.....	2.4	.....	.....	.....
Total Capitalization*	$1,310	$321	$30.9	$44.8	$215	$291
CURRENT ASSETS						
Cash	.....	.....	.....	$ 5.5	$ 32	$ 27
Securities	.....	.....	.....	11.9	70	95
Due from Banks	$ 930	$ 321	$ 12.1	70.0	144	233
Commercial Assets	3,462	893	89.6	181.5	632	902
Total Current Assets and Liabilities	$4,392	$1,214	$101.7	$268.9	$887	$1,257
CURRENT LIABILITIES						
Due to Banks	$1,226	$460	$54.9	$143.3	$436	$634
Commercial Credit Accounts	3,166	754	46.8	125.6	451	623

*Capital Stock, Surplus and Undivided Profit.

In so far as may be determined from the bank returns made on the form now used, the foregoing summary shows the disposition of capital invested in the banking business in the various classes of banks represented. From this it would appear that, while in a single agricultural State like Iowa the banks, as a whole, by their own capitalization have provided the equipment used to support their outstanding credit, taking all of the banks of the United States, they have provided no capital for direct investment in "loans to reserve agents," and aside from the "cash reserves" have provided scarcely enough for adequate "exchange accounts." The banks in reserve cities are in about the same relative condition as those of the country at large. The banks of the central reserve cities, however, have not sufficient capital to provide themselves with the current "cash reserves" used in the business, and which are required of them by statute. At the date of making the report the amount of "cash" provided through capitalization by this class of banks

was only 24.2 per cent. of the net banking liabilities; the balance of the amount of "cash" on hand to support outstanding accounts, and to meet the 25 per cent. legal requirement had been borrowed.

Judgment of Bankers as to whether Present Capitalization is Adequate.

If, on the other hand, we take the judgment of bankers as to what equipment is necessary to the safe conduct of their business, another result will be obtained. For this purpose it may be assumed that a banker will keep no more "cash" on hand than safety to his business requires; if he does he is violating good business judgment. The same may be said of "exchange accounts" and of investments made in low income-producing assets from which "cash" may be realized by quick turns to support credit accounts. Assuming further that the principle is a sound one, that such assets as are permanently employed, or are continuously needed in the business, should be procured by direct investment of capital (*i. e.*, that a business concern, especially a bank, should not obtain its equipment on a "floating debt"), then the inadequacy of capital measured by the standards set by bankers themselves increases as we proceed from periphery of the National Banking system towards this center. To exhibit this in tabular form, the result of failure of the law to require such control as will prevent the overtaxing of capital resources, and such as will insure that our commercial banks do business on their own capital, would appear something as follows:

COMPARATIVE STATEMENT OF EQUIPMENT ACTUALLY USED BY THE SEVERAL CLASSES OF BANKS—STATED IN MILLIONS OF DOLLARS.

Classes of Capital Items	Iowa	Country Banks	United States	Reserve Cities	Central Reserve Cities	New York
CHARGES AGAINST CAPITAL						
Banking House, Real Estate, and Margins	$ 3.4	$ 101	$ 186	$ 42	$ 43	$ 38
REDEMPTION EQUIPMENT USED						
Cash Reserves	5.5	183	605	147	275	208
Exchange Account	2.1	120	187	46	21	14
Securities	2.4	260	470	116	94	79
Loans to Reserve Agents	7.1	153	267	114	.....	.....
Total	$20.5	$817	$1,715	$465	$433	$339
Capitalization	$20.5	$698	$1,310	$321	$291	$215
Floating Debt	.....	119	405	144	142	124
Percentage of Floating Debt	.....	17%	31%	44%	49%	58%

In the above, question is raised as to several classes of items. Without specific inquiry in the form of report required as to the amount which a bank carries for "exchange accounts," this must be approximated. The approximation here given, however, is a deduction from "Loans to Reserve Agents" (another account which is carried as an invested reserve for the purpose of supporting the cash reserve) and, therefore, one which should be capitalized. As to the "securities held," in so far as they are not held as reserve equipment, they are not a banking resource and like "real estate" are in the nature of an encumbrance on banking capital. Such assets must be either for support to bank credit or for direct investment. In either case the bank should not buy bonds on credit. Taking the charges against capital as they stand and the redemption equipment actually used, we find that for the United States, in the judgment of bankers themselves as reflected in practice, the banks should have provided $405,000,000 more of capital to support their business. That is, to properly support $4,392,000,000 of credit used in the course of bank operations to purchase $4,392,000,000 of income producing assets, the equipment which was actually used should have been provided by the proprietors of the business. Such a provision would require an increase of 31 per cent. in total bank capitalization. But further inquiry would show that all but 9 per cent. of this gross amount would be required of the reserve cities, and that a very large portion of the increase is needed in the city of New York.

Inadequacy of the Reserve Requirements.

Again I wish to affirm the position before taken—that this is not proposed as a true method of analysis to get at the relation of intensity of credit strain to equipment used. Attention is directed to the fact only that such an element should be taken into account in reports, the purpose of which is to furnish the data for official control. Further, it is suggested that no provision is made in the present form of report for ascertaining these data; and only one provision of law is made to protect the public against any overtaxing of capital equipment. This one provision referred to is the clause which imposes a minimum limit in money reserve to be

kept. Drawing on experience and on the expression of banking opinion in legal form in State practice before adoption of the National Bank Act, the minimum money reserve to be kept by country banks was set at 15 per cent. of credit accounts outstanding, and for reserve city banks, 25 per cent. This clause was modified, however, under pressure from the banks, so that in estimating the amount of cash on hand three-fifths of the 15 per cent. money reserve of country banks might consist of loans to reserve city banks, and one-half of the money reserve required of reserve city banks might consist of loans to central reserve city banks.

This limitation imposed does, in fact, operate to prevent some of the least provident bankers from bringing their houses down on the heads of customers, and precipitating a panic in the business community. Nevertheless, the provision is entirely inadequate to prevent an overtaxing of equipment. To illustrate one of the methods used for complying with the law and at the same time for carrying a load that keeps the institution on the verge of credit collapse: From the published reports it appears that a number of banks have individual deposits outstanding amounting to from ten to twelve times their capitalization. Some of these banks continuously carry a cash fund larger than their capital stock, surplus and undivided profits. Where did they obtain this money? Undoubtedly they borrowed it. In several instances, only about one-third of the equipment constantly used by these banks is provided by means of capitalization; the balance is obtained on demand loans. Imagine another enterprise being financed in this manner!

The Present Condition not the Fault of the Banker but of the Bank Act.

I am not finding fault with a bank for doing business in this way. If a banker finds that he may obtain capital from others with which to do business and that, when a sudden demand comes for payment, he can force his commercial customers to find the means necessary to replace the temporary foundations withdrawn, if by such methods the banker may be able to keep his own house from falling on the heads of managers and stockholders, he may be exonerated on the principle that he has availed himself of a business

advantage which has brought a large return in profits. But the purpose of control is not to protect the bank. From the point of view of the purpose of public control we ask the question. "What is the result of this character of banking to the commercial community?" As a national system this is simply another form of wild-cat banking and it is in this very practice that we find much of the trouble that heretofore has been ascribed to inelasticity of the currency. The prime fault is in a law which permits bank capitalization inadequate to maintain the volume of bank credit offered to the community with which to do business and of which customers have availed themselves. This being suddenly withdrawn to protect the bank from its own weakness, the community is left in a crippled condition to shift for itself.

One of the purposes of control should be to secure a better co-ordination between the volume of credit accounts sold and capital equipment provided as a means of support; to this end the National Banking Act needs revision. But having been revised so as to give the Comptroller power to exercise supervision to prevent the overstraining as well as the "impairment" of capital equipment, the present power to compel reports is sufficient to make this supervision effective. One of the two principal purposes of the Bank Act is to guard the integrity of our financial system and to protect the public against loss on account of inadequate capitalization. To effect the full measure of good intended by the Act, to vouchsafe a system of control which will secure "sound banking" as well as "sound currency," there should be added to the present powers which are intended to protect against an impairment of capital, inquisitory powers directed against an overloading of equipment. As a means of executing this authority, classified schedules should be devised which will furnish the information necessary to intelligent official discretion, and classified financial statements of results should be published, that the public may the more intelligently deal with the banks.

State Regulation of Insurance

By L. G. Fouse, Esq., President of the Fidelity Mutual Life Insurance Company

STATE REGULATION OF INSURANCE

By L. G. Fouse
President of the Fidelity Mutual Life Insurance Company of Philadelphia

Origin.—The right of the State to regulate corporations created by it is concededly an attribute of State sovereignty. Corporations to whom sacred and important trusts are committed may be properly required, therefore, to make a full exhibit of their condition to a duly constituted authority of the State which is responsible for their existence.

Experience has shown that in the absence of any State regulation, franchises granted by the State have been shamefully abused, and that because of the lack of authentic information it is practically impossible for private judgment, even the best, to be exercised intelligently. "Get rich quick" concerns have been incorporated and men of prominence have appeared as officials, thus combining the legal sanction of the State with the reputations of individuals, which have had the effect of inspiring in some degree public confidence in alluring, but impossible, schemes.

It was because of this condition affecting moneyed corporations, that steps were taken by some of the States as far back as the year 1828, to require them to make report to State officials. While State regulation of banks has been found necessary, and has placed the banking business on comparatively safe grounds, it is even more necessary in the matter of insurance, because an insurance contract—and this is especially true of life insurance—may run for a long time, and generally does not mature until the death of the party who made it. It is right, therefore, that the State by its laws and their enforcement should protect both the maker and the beneficiaries under contracts of insurance. And it is just as important to protect the insurer by law against imposition, collusion and fraud, as it is to protect the insured or assured.

Aside from the fact that under an insurance contract the happening of the contingency insured against may occur far in the future, is the possibility of an insurance company's continuing to pay

its current claims with remarkable promptness, although it may be hopelessly insolvent. The solvency of an insurance company can only be determined by comparing available assets with the present worth of its future obligations, together with the accrued liabilities. The determination of the present worth of its obligations is a technical matter which few individuals can accomplish for themselves. It requires skill and expert knowledge, which under State regulation are provided by the State.

The abuse of the franchise privilege before State regulation of insurance existed was so marked that a special commission in New York State, on application of the companies themselves, was appointed, and in December, 1856, reported its conclusion as follows:

"The only sure method, without serious embarrassment to the companies, we can discover to prevent the organization of fraudulent institutions, and at the same time give the public an opportunity to know at all times the condition of the companies, is to have a system, sanctioned by law, requiring a rigid supervision on the part of the State, which can be accomplished by annual investigation and public registry of their securities," and, "they should be properly guarded and protected in their legitimate business."

The origin of State supervision may, therefore, be attributed to franchise abuse and the ruinous practices which obtained theretofore, Massachusetts being the first to establish an Insurance Department in 1855, New York following in 1859.

History.—Regulation of insurance by the State as it now exists is of comparatively recent origin. The most rigid regulation recorded in history is that by the German Empire. There is practically no freedom of action on the part of the company management, and little or no provision is made for changed conditions. That which properly belongs to by-laws for the government of the company has been incorporated into the statute.

The other extreme, of liberality, will be found in Great Britain, which country may be said to be the mother of insurance. The keynote of regulation in Great Britain is publicity. Companies are required to file regular, carefully prepared schedules, by which any person of ordinary knowledge may arrive at an intelligent conclusion as to the financial standing of the companies. Great

Britain, however, has always exercised a paternal interest in insurance.

By reason of complaints which had been made to the Government, a Parliamentary Committee was appointed as early as 1720, which was the first Parliamentary Committee on Insurance, but many such committees were subsequently appointed. A report of the Parliamentary Committee which sat in 1844 seems to have been the basis of the weeding-out process which followed. They classified the so-called "bubble companies" under three heads:—

First. Those which, being faulty in their nature, inasmuch as they are founded on unsound calculations, *cannot succeed by any possibility.*

Second. Those which, let their objects be good or bad, are so ill-constituted as to render it *probable* that the miscarriages or failures incident to mismanagement will attend them; and

Third. Those which are faulty, or fraudulent in their object, being started for no other purpose than to create shares for the purpose of jobbing in them, or to create, under pretense of carrying on a legitimate business, the opportunity and means of raising funds, to be shared by the adventurers who start the company.

A registry law was passed, to become operative September, 1844, which was the substantial beginning of insurance legislation, and which in Britain seems to have attained its perfection by the Act of 1870, and amendments thereto.

Britain has upwards of twenty insurance institutes, and several actuarial societies, the oldest of which, the British Institute, was founded in the year 1848. Since the weeding out of unreliable companies between the years 1844 and 1850, the method of regulation in Britain, which is, as already stated, mainly by publicity, has produced very satisfactory results. This is in a great measure due to the development of the scientific aspect of the business. All the world is in a great degree dependent on Britain for scientific treatises on the subject of insurance.

It is only in recent years that organized attention has been given in America to the scientific aspect of the insurance business. The Actuarial Society of America was founded in 1889.

State regulation in the United States occupies a mean between

the hard and fast lines of the German Empire and the liberality and latitude vouchedsafe by Great Britain.

As already stated, Massachusetts created an Insurance Department in 1855, and New York in 1859, but Massachusetts did not value policy liabilities by any standard until 1861, and New York did not until 1868. Other States followed, Pennsylvania in 1873, until now all the principal States have not only undertaken to regulate the business by legislation, but have created Departments charged with the execution of the laws in relation to insurance. Every State has enacted laws to regulate the business.

Such laws specify what is necessary to secure a charter in the home State, or a license from another State by way of payment of fees, deposit, execution and filing of papers, and what must be done periodically in order to continue business. The requirements of one State frequently conflict with the requirements of another State. With the view of endeavoring to reconcile such conflicts, and to secure a greater degree of uniformity and harmony in State regulation of insurance, the Insurance Commissioners have assembled in annual convention since 1871 for the interchange of views and opinions.

Abuse of Power of Regulation.—Aside from the taxation abuse to which State regulation has given rise, and which will be discussed separately, there are, notwithstanding the many good points, abuses and objections in evidence.

Insurance, in order to get the benefit of the law of average, must of necessity be extended over a wide field. Practice, as well as the natural conditions, has made it an interstate business.

The Legislatures of the several States meet either annually or biennially, and at every session bills are introduced, either willfully or ignorantly, which, if enacted into a law, would seriously embarrass if not entirely destroy the business which has become an essential part of our progress and civilization. This necessitates vigilance, not only on the part of the State officials to whom the supervision has been entrusted, but on the part of the companies, and involves them in no inconsiderable expense.

Notwithstanding such vigilance, laws are frequently enacted in one State which are directly opposed to the laws of another State, and yet the companies already licensed and with business established

in the several States are expected to comply with the conflicting laws, and penalties are imposed if they do not comply. While there has been a marked improvement in this respect through the operation and work of the National Convention of Insurance Commissioners, under the theory and practice of exclusive State supervision it never can be as it should be for the best interests of the people.

The State office of Supervisor of Insurance, whether elective or appointive, is not always filled by one whose experience, training and knowledge fit him for the position, but is liable to be filled by one as a reward for political service, without reference to any special fitness for the discharge of the duties required of him. It is true that the office in the principal States, as a rule, has been filled by men of eminent fitness. Nevertheless, there are many instances, if the facts were generally and publicly known, that would seriously reflect upon the entire system of State supervision.

A little knowledge is admittedly dangerous. A number of the supervisors, by not restraining themselves in office until they have mastered the intricacies of the business, have taken positions which they could not maintain, and which were exceedingly annoying as well as expensive to the companies. There have been supervisors who constituted themselves judges of the law and the facts, and unundertook to rule arbitrarily without taking into account equities and results.

As a rule, the officers of States to whom supervision is entrusted are amenable to the courts, and, therefore, any radical departure from sound doctrine and good practice may be checked or corrected by appeal to the courts. A few States, however, notably Massachusetts, leave everything relating to insurance to the opinion and discretion of the Commissioner. Fortunately, the office has been filled by men who have, with a few exceptions, taken no undue advantage of the power conferred on them by law. In view of the magnitude of the interests involved and the uncertainty as to the capability and fitness of the supervisor, no State should enact laws making the opinion and discretion of the supervisor or commissioner final and conclusive. Just as the individual under civic liberty has the right to be adjudged innocent or guilty by a judicial tribunal

so an insurance company should not be deprived of an appeal to such a tribunal in the case of a controversy with a State supervisor.

The law of comity obtains between most of the States, so that the certificate of the supervisor of the home State is accepted, under the provisions of the laws of reciprocity usually incorporated in the statutes of the different States, by the Supervisors in other States. There are, however, a number of States that have no local companies, and reciprocity means little or nothing to the supervisors of such States. Hence, it is not unusual for them to attempt to make independent investigations and valuations at the expense of companies.

Some years ago, junketing trips at the expense of the companies were made by the representatives of some of the State Insurance Departments. The examinations made were farcical, the examiners being incompetent, not skilled or trained, and the motive was self-aggrandizement, instead of benefit to the policy-holders. However, the exposures of two or three such instances have had a salutary effect, and there is less of it now than heretofore. Nevertheless, the opportunity for the abuse still exists.

Notwithstanding the efforts made since 1871 to get the States to adopt a uniform blank upon which to make returns, there are still a number of States that have not fallen in line, which multiplies labor and increases the expense of the companies. Under the laws of most of the States, the supervisor is given discretion in submitting questions to the companies. When forty-eight supervisors exercise such discretion, it can be readily understood how difficult it is to limit the questions submitted in the blanks to those approved by the National Convention of Insurance Commissioners, which is a voluntary body and has no legal existence. It is nothing unusual, especially for inexperienced supervisors, to introduce some new question, troublesome and expensive to the companies, but of no practical value whatever.

Some of the States have discriminated against insurance companies by imposing a penalty on companies in case they do not succeed in defending a claim believed by the management to be unjust. Such penalty in the State of Texas amounts to 12 per cent. of the claim "together with all reasonable attorneys' fees." In a number of the States, companies are denied the right of trans-

ferring cases to the United States Courts. In others, there are restrictions and conditions which practically amount to a denial of the right to appeal to the highest courts.

In a word, abuse of State regulation of insurance is mainly due to the impossibility of unifying and controlling the Legislatures and supervisors of the forty-eight distinct sovereignties comprising the Union.

Benefits and Advantage.—It is safe to say that the legitimate insurance interests of this country would not be willing to give up State regulation and supervision except for something manifestly better. Supervision in the light of legislative regulation has been upon the whole a success. The fault lies with legislative regulation rather than with supervision. The tendency, however, in both legislative regulation and supervision has been in the line of improvement. Largely through the influence of supervision, the business of insurance has been properly classified. While there are yet a few companies acting under old charters, which combine businesses that had better be separated, the general rule of separation of fire, life, casualty, health, etc., obtains.

Safeguards have been adopted for the admission to the several States of only such companies as can show their ability to fulfill their contract obligations. Before a company can be admitted to do business, it must file a certified copy of its charter, an official certificate showing that it is legally authorized to do business in its home State, that it has a surplus over and above all liabilities, and the ability to fulfill its obligations, that it has securities on deposit with the financial officer of its home State worth at least $100,000, and in case of different lines of business, a larger deposit must be made. It must file its annual statement showing income, disbursements, list of investments, etc.; furnish a certification of valuation of its policy liabilities from the insurance official of its own State, appoint an attorney upon whom legal process may be served, furnish a list of its agents within the State to whom license must be granted by the State before they are authorized to do business, and must allow at the expense of the company an examination of its affairs whenever deemed expedient by the insurance officer of the State. It must also file official copies of all its policy forms and of documents referred to therein or made a part thereof; and there are a number

of other requirements which must be met. These are usually in the line of good business and in the interest of the insuring public.

After a company is regularly admitted, it must comply with the laws of the State, which usually protect the insured against forfeiture, against unreasonable delay in the payment of claims, and require a company to make annually a full exhibit of its affairs, which by most of the States is published in the report of the Insurance Department.

An effective system of supervision economically administered has become an absolute necessity to the business of insurance.

Taxation Abuse.—All the abuses of State regulation already mentioned pale into insignificance before the abuse of taxation. Life insurance does not create wealth, it merely distributes and sustains, and is designed to reduce misfortune and pauperism and encourage thrift and stimulate unselfishness and self-dependence. Lawmakers, however, because of large accumulations incident to the feature of distribution, feel that these are easy to get at, and, therefore, should be made subject to taxation. The equities and justness have evidently not received due and proper consideration. If they had, it would be found that the tax is paid by the policy-holders themselves, who have already paid taxes in some other form, and it is, therefore, multiplying taxation upon them.

On December 17, 1897, I addressed the American Academy of Political and Social Science, and presented the result of an investigation I had caused to be made in the Philadelphia and Montgomery County almshouses. The census of 1243 paupers with reference to life insurance was taken. Less than 10 per cent. had ever contributed to life insurance, and then only under industrial policies, which generally afford merely a burial fund, and only three were found that had ever been beneficiaries of life insurance. The investigation clearly showed that life insurance is practically unknown to the pauper class, and yet fully 10 per cent. of the paupers had been tradesmen.

The work of the insurance agent is to solicit and encourage men during their productive years to make provision for their families in the event of their death and for themselves in old age, thus waging a constant warfare against pauperism and public dependency. For doing this, which is for the good of the individual and the legislative

organism of society, called the State, the latter imposes a penalty by a multiplication of taxes.

A contrary policy has been pursued in Great Britain ever since it was found through an investigation by a Royal Commission, appointed in 1832, that the life insurance and friendly society movements encouraged thrift, self-reliance, self-dependence, and reduced the poor rate, as shown by section 821 of their report, more than $10,000,000 annually. According to the terms of Section 54 of 16 and 17 Victoria, cap. 34, every policy-holder in a life and accident company, who may be liable for income tax, is entitled to deduct from his return of income to Government the premium or premiums paid by him under any policy or policies of insurance on the life of himself or his wife, to the extent of not more than one-sixth part of his whole income.

The policy pursued by the States in this country is, that while money deposited in building and loan associations and in savings banks, where it is always available to the depositor, shall be tax free, money deposited with an insurance company, designed to protect dependents in the event of the death of the insured, and not available to the insured, thus preventing pauperism among such dependents, must be taxed not only once but several times, indicated as follows:

1st. Fees to the Insurance Department, including usually a liberal license fee; 2d, license fees of agents; 3d, tax on gross premiums of usually 2 per cent.; 4th, franchise tax or a tax on investments; 5th, augmented frequently by city, county or municipal tax or license fees.

In 1903 it cost the policy-holders in the United States holding policies in level-premium companies $8,500,000 for taxes, or about six per cent. over and above all direct taxation on the actual property in their possession, of the whole amount paid for death claims and matured endowments. In 1903 the Fidelity Mutual Life Insurance Company paid its officers $39,664.14 to manage its business, and paid to the States $69,685.21 in tax and fees for the right to do business.

There is neither uniformity of rate nor method in imposing tax by States. One State will tax reserves, another gross premiums, etc., in addition to the license fees. The latest innovation was made by the State of Nebraska taxing the cash surrender values of

policies, which, however, being a direct tax; will become known to the insured, and probably will be soon repealed.

I admit that the State which gives existence to a corporation has a right to expect a reasonable revenue from it, but submit that it is not good public policy, and is contrary to the spirit of the State "which aims to secure the prevalence of justice by self-imposed laws," to multiply the taxes upon one class of its citizens. It should be remembered that "the great battles for freedom from the earliest times have been fought out on the questions of taxation." State legislation, under the cover of taxation, has been trespassing step by step upon the rights of a class of citizens who have agreed among themselves to make provision for their dependents, until such rights, if such trespassing continues, will be seriously jeopardized.

Insurance corporations should be taxed as all others, on the actual property in their possession, and in addition to this a tax might be imposed to cover the cost of supervision. The cost of supervision, *which should include examination of the companies* (this inspection should be made at the expense of the State and not of the companies), would not exceed 10 per cent. of the amount now collected for taxes and fees.

State Regulation of Insurance under National Supervision.— While it would be impracticable and in a manner impossible to dispense with State regulation, I am convinced that it would be to the best interests of the insuring public and the business of insurance to place State regulation under national supervision by Act of Congress.

Before the adoption of the Constitution, it was attempted to control trade under the Articles of Confederation by Legislatures of thirteen distinct sovereignties. Gen. Washington said: "It behooves us to establish just principles, and this cannot, any more than other matters of national concern, be done by thirteen heads differently constructed and organized." Discrimination, confusion and discord among different parts of the Confederacy were in evidence. One of the reforms demanded was introduced and adopted by the Constitutional Convention, and is found in Sec. 8 of Article I, namely: "The Congress shall have the power to regulate commerce with foreign nations, and among the several States, and with the Indian tribes."

The creation of a national bureau of insurance under this sec-

tion would be as simple, logical and conclusive as was the creation of the Department of Commerce. This subject has been discussed for the last thirty years. The opponents of national supervision, and those not informed, refer to the case of Paul *vs.* the State of Virginia, decided by the Supreme Court of the United States in 1869. The question before the court was as to whether Samuel B. Paul violated the Virginia law in representing a company not licensed by the State. Judge Field delivered the opinion of the Court and said: 'Issuing a policy of insurance is not a transaction of commerce. These contracts are not articles of commerce in any proper meaning of the word."

A careful analysis of the case discloses the fact that the court's statement touching the relation of a policy of insurance to commerce is not entitled to any greater weight than that which ordinarily attaches to what the courts call "*obiter dictum*," and is not, therefore, a precedent for the Supreme Court or for any other court.

As to whether or not insurance is commerce was not germane to and had no bearing whatever upon the case. The decision would have been precisely the same whether Congress has or has not the power to regulate commerce among the States, and whether insurance is or is not commerce. The States have the undoubted right, in the absence of an act of Congress, to regulate the business and prescribe the terms under which foreign corporations may transact business within their borders.

If there had been a Congressional act in force in 1869 declaring insurance to be commerce, then the question would have turned on the constitutionality of such Congressional act, and Judge Field's statement would not have been a mere dictum in effect, but a positive expression of the law. "Dicta are judicial opinions expressed by the judges on points that do not necessarily arise in the case. Dicta are regarded as of little authority on account of the manner in which they are delivered, it frequently happening that they are given without much reflection, at the bar, without previous examination." In the case of Frants *vs.* Brown, 17 Serg. and Rawle, 292, Judge Huston said: "I protest against any person considering such obiter dicta as my deliberate opinion." Applying this reasoning to the Paul case, and considering the little influence or weight attaching to *obiter dicta* it is evident that that case is no authority on the

question as to whether or not insurance is commerce, and the question is yet an open one, without any judicial conclusion one way or the other.

The next point for consideration is, should Congress declare insurance to be commerce. If so, then it undoubtedly becomes a subject for national supervision, but not until it has been so declared.

The Supreme Court in the case of Debs held that "the Government of the United States is one having jurisdiction over every foot of soil within its territory, and acting directly upon each citizen." In considering what was meant by commerce in Section 8 of Article I of the Constitution of the United States, recourse must be had to the generally accepted meaning of the word. Some give it the narrow construction of trading in merchandise. The discord and friction which obtained between the distinct sovereignties under the Articles of Confederation, led such men as Alexander Hamilton, Thomas Paine, Noah Webster, John Jay, James Madison, and Gen. Washington to advocate the framing of a National Constitution which in certain matters should subordinate the States to the Nation.

Alexander Hamilton, in a letter September 3, 1780, to James Duane, contended that "Congress should have complete sovereignty in all that relates to war, peace, trade, finance, foreign affairs, armies, etc." He also, in speaking of the interference and unneighborly relations of States, urged that the "injurious impediments to the *intercourse* between the different parts of the Confederacy" be constrained by National control. Sec. 8 of Article I of the Constitution as adopted accomplishes this.

Commerce practically comprehends trade and finance, and includes insurance. According to the American and English Encyclopædia of Law, vol. 6, p. 217, the term "commerce" includes "all commercial intercourse."

"The word 'commerce,' as used in the Constitution, includes all its ramifications, and every feature or form which it may assume." Ex. p. Crandall, 1 Nev. 312.

"Commerce among the States, within the exclusive regulating power of Congress, consists of intercourse and traffic between their citizens." *In re* Green, 52 Fed. 113.

"By the term commerce is meant not traffic only, but every species of commercial intercourse." State *vs.* Delaware, etc., R. Co., 30 N. J. L. 478.

"Commerce signifies any reciprocal agreement between two persons, by which one delivers to another a thing which the latter accepts, and for which he pays a consideration." Crow *vs.* State, 14 Mo. 247.

"Commerce is undoubtedly traffic, but it is something more; it is intercourse." Gibbon *vs.* Ogden, 9 Wheat. (U. S.) 189

"Commerce is defined to be an exchange of commodities, but this definition does not convey the full meaning of the term. It includes intercourse and navigation." Henderson *vs.* New York, 92 U S 259.

"Commerce is a term of the largest import. It comprehends intercourse for the purposes of trade in any and all its forms." Welton *vs.* Missouri, 91 U. S. 280; Campbell *vs.* Chicago, etc., R. Co., 86 Iowa 589.

"The definition given as used in the Constitution of the United States includes intercourse." Fuller *vs.* Chicago, etc., R. Co., 31 Iowa 207.

"Commerce signifies any reciprocal agreements between two persons." Bouvier's Law Dictionary, 280.

All authorities seem to agree that commerce comprehends interchange and intercourse in pursuance of agreements between parties. A contract of life insurance is unquestionably a reciprocal agreement between two parties and is a thing of value. In England, the supervision of insurance is in the hands of the Board of Trade; in France, it is looked after by the Minister of Commerce; in Norway, permit must be obtained from the Commercial Registrar; in Austria, it is subject to the Tribunal of Commerce.

Is Insurance In Reality Commerce?—Who would have the temerity to assert seriously to-day, and under existing conditions, that insurance is not commerce, that the most colossal and important industry of modern life, involving more money and affecting more people than all the railroads, banks, trust companies and savings institutions combined, extending into every nook and corner of the land, and the subject of sale, barter and pledge wherever business activity exists, is not commerce, especially in contemplation of the Constitution?

Indeed, it is confidently believed that Judge Field himself, if he were alive to-day, in view of the enormous aggregations of capital, the gigantic combinations of all sorts, the revolutionary and progressive methods of business, the augmented necessities incident thereto, the extended powers of the Federal Government under judicial construction, and above all, in view of the prodigiousness of insurance, its universal ramifications, its many uses, trade, commercial and family, and the vast money interests involved, would be one of the first to declare that it is, in the very highest sense, commerce, and conducted as it is to-day, is pre-eminently interstate commerce and subject to Federal supervision and regulation under appropriate Congressional legislation.

Furthermore, the question as to whether insurance is commerce

or not, is not an abstract question of law. It is rather a question of fact and to be determined as other questions of fact are determined. And it is respectfully submitted that intelligent business men are, to say the least, quite as competent to determine the question as judges and lawyers. If, therefore, Congress should declare that insurance is commerce, the question would be thus determined by the greatest and ablest legislative body in the world, whose impartial determination of any question of fact deserves universal acceptation as just and proper. The judges of the Supreme Court would undoubtedly accept Congressional determination of the fact as conclusive, even if they should personally entertain a different view, just as they accept the verdicts of juries. But even in the absence of a declaration to that effect by Congress, if the question should be fairly and squarely presented to the Supreme Court either as a question of law, or fact, or both, the Court would undoubtedly hold that insurance is commerce, in view of the reasons heretofore indicated.

The character of a Federal statute regulating interstate insurance, the privileges and limitations under it, its requirements, the powers and duties of the officials under it, and in fact, the whole scope of such a statute, would require on the part of those who drafted such a law the greatest care and experience.

Congress Inferentially Declares Insurance to be Commerce.—Congress, in establishing the Bureau of Corporations of the Department of Commerce and Labor, authorized such Bureau to gather, compile, publish and supply useful information concerning "such corporations doing business within the limits of the United States as shall engage in interstate commerce, or in commerce between the United States and any foreign country, INCLUDING CORPORATIONS ENGAGED IN INSURANCE." This is the first legislative or judicial expression under Federal authority to the effect that corporations engaged in insurance come under the head of "commerce." The natural sequence of the gathering and disseminating of information by the Bureau of Corporations will be the establishment of national supervision of insurance.

State regulation would, with the exception of the powers and authority delegated by national supervision, be limited to the regulation within its own borders of the corporations to which the State

gives existence. State legislative regulation would virtually be at an end, as it should be; but State supervision could no doubt be subordinated to and be the representative of national supervision. If a State maintains a bureau, then there is no reason why records, so far as they relate to companies doing business in such State, should not be furnished by the National to the State bureau for the information of the citizens of such State. The relationship of State regulation to national supervision will give rise to many important questions which require careful consideration.

Until Congress exercises the power conferred upon it by the Constitution to provide national supervision, the States will continue to exercise such right, because it is not forbidden, and because supervision is a necessity.

II. The Scope and Limits of Federal Anti-Trust Legislation

The Federal Power Over Trusts

By Honorable James M. Beck, Late Assistant Attorney-General of the United States

THE FEDERAL POWER OVER TRUSTS

By Hon. James M. Beck
Late Assistant Attorney-General of the United States

The last decade of the Nineteenth Century witnessed an extraordinary concentration of industries. For this economic phenomenon there were doubtless many and complex causes. The profound and underlying cause was unquestionably the centripetal influences of steam and electricity. These potent agencies, which have almost annihilated time and distance, have made it possible for the individual, and especially for collective groups of men, to conduct business operations over a much larger area than was ever heretofore possible. The natural result of such concentration should be the elimination of unnecessary waste, both in the matter of production and also in the nice adjustment of consumption to production. To this extent concentration is as inevitable a law in the business world as gravitation in the physical universe, and its force is so potent and irresistible that, if it conflict with either the statutory or constitutional law of organized government, the latter will sooner or later inevitably and peacefully give way. The trust problem is therefore not peculiar to the United States. The concentrating tendency of steam and lightning first manifested itself on a large scale in England, where scattered business enterprises of individuals were rapidly consolidated into industrial stock corporations, and later in Germany, where a similar movement was made to revise its general economic methods. The United States followed and did not lead an irresistible impulse in all civilized countries.

But the economic phenomenon which gave rise to the so-called trust problem had in our country some special causes. In part, it was due to the instinct of imitation. A group of young men of extraordinary business genius, perceiving the demoralization of the oil industry by reason of cut-throat competition, created by a gradual revolution the Standard Oil Trust. Its unprecedented success, and the enrichment beyond the dream of avarice of its

chief promoters, led men in other industries to attempt the formation of similar trusts, and when combinations of manufacturers were, so far as Federal laws are concerned, apparently legalized by the decision in the Sugar Trust suit, these amalgamations of business enterprises proceeded with startling rapidity and ever accelerating speed, until there were formed between 1890 and 1900 over four hundred large trusts, so-called, with a total nominal capital in excess of twenty billions of dollars.

The imitators of the Standard Oil Trust, however, forgot that it was far easier to create a monopoly in a product of limited production like oil than in others of general and almost unlimited production, and they further made the greater error of supposing that mere combination would insure prosperity. The Standard Oil Trust was at the beginning and remains to-day the most wonderful business organization for the sale of commodities in the world, and this is not merely due to combination, but to the fact that its managers are familiar with the work of the company and give to its management the advantage of exceptional ability and untiring industry. Their imitators, however, made the mistake of assuming that there was some magic in the mere fact of combination, and that when a practical monopoly was secured for the time being in any given industry, little remained, except to enjoy its fruits.

A third cause for the formation of trusts was the opportunity which modern corporate facilities gave for the flotation of corporate shares and consequent speculation therein. This facility to represent business values by pieces of paper gave a tempting opportunity to the promoter and the speculator, and combinations were formed, not for the purpose of eliminating waste in the production, transportation and sale of a commodity, but to float shares of stock and sell them to the public at artificial prices. To this cause must be attributed the greatest evils of the trusts. Overcapitalization, secret profits to the promoters, the declaration of unearned dividends, the purchase at excessive prices of material from insiders, and similar evils swiftly followed, and a very saturnalia of business fraud ensued, which arrested the industrial progress of the nation and produced a profound, although temporary, depression. Not one, but a hundred John Laws, sud-

denly attempted to create wealth by the liberal use of the printing press, and the South Sea Bubble became insignificant in comparison with the wild speculative orgie of the last few years, which inflicted losses on the investing public of not less than three billions of dollars.

It is not the purpose of this paper, however, to discuss the economic phases of the trust problem, but to indicate the extent of the Federal power over those vast amalgamations of capital. The subject is one of overshadowing importance, for it will be generally recognized that if the Federal government has not the power to check the rapacity and abolish the abuses of the trusts, the legal power is non-existent. The States are obviously impotent to solve the problem, for their authority ceases with their respective borders. Steam and electricity have woven the American people into a closeness of life, of which the framers of the Constitution never dreamed, and the necessity for Federal police regulations as to a subject, which the force of events has brought largely within the Federal sphere of power, has become increasingly apparent.

The Constitution itself has been modified by economic developments and its great latent powers disclosed. Let me remind as one startled by the suggestion of an elastic Constitution that Marshall, the great Chief Justice, clearly perceived that the Constitution was little more than a working plan for an edifice that was to endure forever, and, that while it must guide the master builders, who in the future would erect the superstructure, it could not express the various means by which the sublime design was to be carried out. To quote his own language in the great case of McCulloch *vs.* Maryland:

> "This provision is made in a constitution intended to endure for ages to come, and consequently to be adapted to the various crises of human affairs. To prescribe the means by which government should in all future times execute its powers, would have been to change entirely the character of the instrument and give it the properties of a legal code. It would have been an unwise attempt to provide by immutable rules for exigencies, which, if foreseen at all, must be seen dimly and can be best provided for as they occur."

This truth was never more strikingly shown than in the last twenty years, when the Republic, partly through expansion of territory abroad and partly through the concentration of industrial interests at home, has entered upon a new and most important phase

of economic and constitutional development. By some marvelous intuition—or was it unconscious inspiration?—the Fathers "builded better than they knew;" and instead of attempting to define the powers of the Federal government they contented themselves with their enumeration in simplest phrase, and then—as a novel experiment in government—they created the august tribunal, whose sublime and lofty mission was to develop and unfold these latent powers. The nine Justices of the Supreme Court are a quasi-constitutional convention and continuously in session. Their deliberations fill one hundred and ninety-one volumes of reports, and the noble superstructure of the Federal government has steadily arisen by judicial interpretation upon the sure foundation which the Fathers laid. As the conditions which call for the exercise of constitutional powers change with the progress of the centuries, necessarily the true powers of the Constitution, often latent and unsuspected, must from time to time be disclosed and developed. The Constitution was and is a growth. As Jefferson well said: "It was made for the living, not for the dead."

A striking illustration of this truth is the so-called commerce clause of the Constitution. It was framed to meet almost primitive conditions. The colonists were largely farmers, who sowed, reaped, and transported their product in a manner little changed for a thousand years. The world at that time knew nothing of the possibilities of the railroad, the steamship, the telegraph, the cable, or the telephone. There was practically no inter-State trade except by sailing vessels which ran inland on tidal rivers. Coaches and wagons were the only methods of conveyance, and the transportation of merchandise, beyond the baggage of travelers, was an impossibility. Little could the Fathers have dreamed of an age when the United States, from ocean to ocean, would be covered by a very network of railroad, telegraph, and telephone lines, and when the States of the Union would be indissolubly bound together by shining paths of steel aggregating two hundred thousand miles in length. And yet, the commerce clause has been found broad and elastic enough to enable Congress to control and regulate the vast inter-State traffic of the United States, and has been applied to subjects, of which the Fathers did not even dream. If, therefore, we find ourselves in the strange sequence of events treading unbeaten paths

(and when did nation ever achieve greatness except along such paths?), and facing conditions and problems undreamed of by the Fathers, let it not be said that we are doing violence to their spirit if we apply their principles of government to such new conditions. The Constitution was great in what it expressly said, but it was infinitely greater in that which it left to interpretation.

When the American people first found themselves confronted with the assumed evils of railroad monopoly and industrial trusts, they turned to the Federal government and invoked its power over commerce for their suppression. A century had passed since the adoption of the Constitution and this power had rarely, if ever, been invoked, except to put a judicial veto on State legislation. The Supreme Court had held that the failure of Congress to legislate was the will of the nation that inter-State commerce should be free, and it struck down every State statute which in any manner impaired such freedom. When, however, Congress believed that the then-existing industrial trusts had been made possible by railway discrimination almost for the first time they exercised by an affirmative act their power to regulate commerce, and exactly one hundred years after the Federal Constitution had been adopted, the Inter-State Commerce Commission was created, whereby, for many purposes, the management of all inter-State railways was placed under the supervision, and subjected to the inquisitorial powers of a Federal commission. These inquisitorial powers have recently received strong confirmation in the decision, which requires the coal carriers to submit to the Commission the most intimate and secret details of their management and operation. While this act has failed to prevent wholly the abuses of railway discrimination, yet it has gone far to lessen them, and with the passage of the more recent Elkins Act, further progress may be reasonably anticipated.

With the passage of this act to regulate inter-State railways, Congress next proceeded to industrial combinations. The first bill was introduced by Senator Sherman on August 14, 1888, and a very flood-tide of proposed legislation succeeded. In the Fiftieth Congress, twenty bills were introduced; in the Fifty-first, twenty-three; in the Fifty-second, sixteen; in the Fifty-third, seventeen; in the Fifty-fourth, eight; in the Fifty-fifth, eleven; the Fifty-

sixth, twenty-one; and in the first session of the Fifty-seventh, twenty-two. Many of these bills excited prolonged discussion in both houses of Congress, and with the debates comprise over a thousand printed pages. The remedies suggested were many and various, and resort was sought to be had to other clauses of the Constitution besides the Commerce clause, such as the power over taxation, that over patents and that over the mails. Thus it was proposed by the abolition of customs duties to subject the trust, which had secured a monopoly of domestic trade, to the competition of the rest of the world. It was suggested that as an internal revenue tax had been imposed to drive out the currency of State banks, and the sale of oleomargarine had been largely destroyed by taxation and the constitutionality of such measures had been affirmed, that this power to destroy by taxation should be invoked. It was contended that as the government had exclusive power over the United States mails and could determine what mail matter should be thus transmitted, that the denial of the mails to monopolistic trusts would operate to destroy them. Under the judiciary power it was proposed to deny the trusts an appeal to the Federal courts in the enforcement of their contracts, and under the fiscal powers it was suggested that national banks and other government fiscal agencies should not receive on deposit or accept as collateral or otherwise deal in any stocks, bonds or securities of a trust. Any patent or copyright owned by a trust should be forfeited. It was even contended that the United States government should not deposit government moneys with any bank which in any manner deals with the stocks, bonds or securities of a trust. Under the commerce clause it was proposed that no corporation should engage in business outside of the State of its origin without a Federal license, and provisions were made for publicity as to its management and operation. Another provision was to forbid the inter-State transportation of trust-made commodities.

Many of these suggestions went into the scrap heap of defeated legislation, as indeed they deserved to do, and the sole result of this discussion—perhaps the most prolonged and earnest, with the exception of the tariff question, since the slavery days—was the so-called Sherman Anti-Trust Law, of July 2, 1890. This act in the most sweeping language, forbade every contract, combi-

nation in the form of trust or otherwise, or conspiracy in the restraint of trade or commerce among the several States or with foreign nations. As though this language were not sweeping enough, it provided that every person who shall monopolize, or attempt to monopolize, any part of the trade or commerce among the several States or with foreign nations should be guilty of a crime. It declared illegal every such contract or combination, and invested the Circuit Courts with power to restrain violations of the act. It is passing strange that an act, which was drawn by eminent lawyers and statesmen after prolonged discussion, should have been so loosely and unscientifically drawn. From its very passage, courts have been obliged to guess at its meaning. Consider, for example, the sweeping character of the language in Section 2, which makes it unlawful for any person to *monopolize any part* of inter-State or foreign trade. The very word "monopolize" belongs to the lax language of the political rostrum and not to the precise phraseology of the law-making department.

After the passage of the Sherman Anti-Trust Law, it was believed by many, including prominent members of Congress who had taken an active part in its passage, that it aimed solely at industrial or manufacturing trusts as distinguished from transportation combinations. It was contended that, as to the latter, Congress had fully legislated in the creation of the inter-State Commerce Commission. If such had been the real purpose of Congress, it was defeated by the interpretation placed upon the act by the Supreme Court; for in the Joint Traffic and Trans-Missouri cases the act was held to apply to any combination in restraint of trade between railroad carriers, while in the Sugar Trust case the value of the Act, to the extent that it was aimed at manufacturing monopolies, was materially impaired.

In the Sugar Trust suit, the then United States Attorney for the Eastern District of Pennsylvania sought to invalidate a contract which the American Sugar Refining Company had entered into with certain stockholders of Philadelphia refineries to purchase from them the stock of their companies. It was proved that with this acquisition the Sugar Trust had obtained control of refineries which controlled 98 per cent. of the sugar refined in this country. The element of conspiracy was sought to be eliminated

by proof of the fact that there was no understanding or concert of action between the various stockholders of the several Philadelphia companies, who had acted independently and in ignorance of each other's action, and that the contract of sale in each instance left the sellers free to establish other refineries and continue the business if they saw fit to do so, and contained no provision respecting trade or commerce in sugar, and that no arrangement or provision on this subject was subsequently made.

The relief sought was the cancellation of the agreements and the redelivery of the stock. It was admitted that the indirect but probable effect was a practical monopoly (using that term in its popular rather than its technical sense), of the inter-State sale of sugar, but it was held that "the fact that an article is manufactured for export to another State does not of itself make it an article of inter-State commerce, and the intent of the manufacturer does not determine the time when the article or product passes from the control of the State and belongs to commerce." On the authority of a previous case (Coe *vs.* Errol, 116 U. S., 517, 525), it was further held that inter-State commerce does not commence until "the final movement from the State of their origin to that of their destination." The court did not mean to intimate that such a combination might not have as its necessary purpose and effect a restraint of inter-State commerce in the sale of the product, but predicated its decision upon the statement that "there was nothing in the proofs to indicate any intention to put a restraint upon trade or commerce, and the fact as we have seen that trade or commerce might be indirectly affected was not enough to entitle complainants to a decree."

To at least one of the justices (Mr. Justice Harlan) this reason seemed somewhat scholastic in its subtlety and he filed a vigorous dissenting opinion to the effect that as the combination was obviously formed to eliminate competition in the inter-State sale of sugar, and as the acquisition of these refineries was one step in that direction that the conspiracy under the Sherman Anti-Trust Law had been established.

It is obvious from subsequent decisions of the court that the country much misunderstood the effect of this case. It was regarded as putting manufacturing trusts not only beyond the pur-

view of the Act of 1890, but beyond even the reach of Federal power; and in the discussions which subsequently ensued in Congress it was generally conceded that nothing further could be done against manufacturing monopolies other than transportation companies without an amendment to the Constitution, and various amendments were consequently proposed.

The Supreme Court, however, in the subsequent case of the United States *vs.* Addyston Pipe & Steel Company (175 U. S., 211), showed that the Knight case had been somewhat misinterpreted. In that case certain pipe and steel companies of different States entered into a combination to control the sale of cast iron pipes. They allotted certain territory in different States, in which each should have the exclusive right to sell their product. The Supreme Court held the combination illegal, and distinguished it from the Knight case, as to which it said:

"The direct purpose of the combination in the Knight case was the control of the manufacture of sugar. *There was no combination or agreement in terms regarding the future disposition of the manufactured article;* nothing looked to a transaction in the nature of inter-State commerce."

A still more significant opinion, however, has recently been handed down by the Supreme Court, and for some reason has not attracted the attention which its importance deserves. I refer to the case of Montague *vs.* Lowry, decided on February 23rd, 1904.

In that case there was no allotment of inter-State territory. It was a suit under Section 7 of the Sherman Anti-Trust Law, which gives treble damages to any person who shall be injured in his business or property by any violation of the act. The plaintiff, prior to the commencement of the suit, had been engaged in selling tiles in the city of San Francisco. A number of wholesale dealers in tiles in California and certain manufacturers of tiles who were residents of other States formed an unincorporated association to control the sale of tiles in California. It was shown that there were no manufacturers of tiles in that State, and that all tiles sold therein were procured from manufacturers in other States, and that, therefore, there existed an inter-State commerce between California and other States in the transportation and sale of this merchandise. The membership of the association was elective. It was provided that no member should purchase any tiles from any

manufacturer, who was not a member of the association, nor should they sell to any non-member at less than list prices, and manufacturers, who were members, were forbidden to sell to any person not a member of the association, under penalty of forfeiting their membership.

It will be observed that there was no allotment of territory between dealers, and with the exception of the stipulation as to the sale of tiles by non-resident manufacturers to California dealers the transactions were intra-State. The court, however, held that the agreement must be treated as a whole, and that it directly restrained inter-State commerce between the eastern manufacturer and the non-member, and was, therefore, invalid.

It is obvious that the prohibition of allotments of inter-State territory and of discrimination between buyers of inter-State shipments should effectually check two of the most common methods of building up an industrial monopoly.

The more interesting question remains, however, as to whether the Sherman Anti-Trust Law, with its sweeping and drastic provisions, has exhausted the constitutional power of Congress to legislate against the trusts. Without expressing any opinion as to whether there should be further legislation, which is a question of legislative policy, I am clearly of opinion that the Federal government has by no means exhausted its constitutional power.

While the commerce clause of the Constitution must prove the chief bulwark of the American people against industrial monopoly, yet it is by no means their only defense. The power to tax, which Marshall well described as the power to destroy, could be invoked with great effect, especially against the abuses of overcapitalization. Its destructive power has already been shown in the case of Veazie Bank *vs.* Fenno (8 Wallace U. S.), where the Supreme Court upheld a taxing statute, which was avowedly passed to drive out of circulation the currency notes of State banks. The Court said:

"The first answer to this is that the judicial department cannot prescribe to the legislative department of government limitations upon the exercise of its acknowledged powers. The power to tax may be exercised oppressively upon persons, but the responsibility of the Legislature is not to the courts, but to the people by whom its members are elected. So if a particular tax bears heavily upon a corporation or a class of corporations it cannot for that reason only be pronounced contrary to the Constitution."

The doctrine of this case was, however, justified in subsequent cases by reference to the power of Congress to furnish to the country a uniform currency, and the power to destroy State currency, therefore, cannot be rested solely upon the power to tax. The power of taxation is often used as ancillary to other powers of the government. Prior to the Revolution no form of taxation was more common than that which was used to regulate trade and not to raise revenue, and the constitutionality of protective duties has since been justified, not under the theory that the power to tax gives in itself the power to protect an industry, but to the power to regulate foreign and inter-State commerce.

Later in the Oleomargarine cases, in passing upon the constitutionality of the internal revenue tax on oleomargarine (*in re* Kollock, 165 U. S., p. 536), where it was urged that the purpose of the Act was not for revenue, but to destroy the sale of oleomargarine, the Supreme Court said:

"The Act before us is on its face an Act for levying taxes, and although it may operate in so doing to prevent deception in the sale of oleomargarine as and for butter, its primary object must be assumed to be the raising of revenue."

Later, Congress passed an Act whereby it sought, through graded taxes, to prevent oleomargarine manufacturers from artificially coloring their product so as to make it look like butter. The legislation was obviously passed in the interests of the farmers and to discourage the sale of oleomargarine. The constitutionality of this Act is now under consideration by the Supreme Court in the case of Cliff *vs.* the United States, which was argued some months ago. When that case is decided we will probably have an authoritative exposition of the extent to which Congress, under the guise of taxation, can accomplish other ends. An Act which on its face is designed for revenue cannot be declared unconstitutional because of some presumed ulterior purpose, but it remains to be seen whether, when such ulterior purpose is plainly manifested, and when such purpose is not incident to any other express power, the court will not hold such a taxing statute unconstitutional.

Until the Supreme Court rules to the contrary, it cannot be said that graded excise taxes could not be used effectively to discourage excessive capitalization, while the maintenance of many

industrial monopolies could be further affected by the abolition of protective tariff duties.

Another obvious weapon of defense is the exclusive power of the Federal government over the mails. In *ex parte* Jackson, 86 U. S., p. 727, the defendant was convicted of circulating lottery matter through the mails in violation of the Federal statutes. It was contended, in substance, by the defendant, that under the power to establish "post offices and post roads" Congress had no power to regulate the morals of the community by excluding mail matter deemed to be immoral. The Supreme Court held, however, that

> "The power possessed by Congress embraces the regulation of the entire postal system of the country. The right to designate what shall be carried necessarily involves the right to determine what shall be excluded."

The court further held that the Act in question was not designed to interfere with the freedom of the press or with any other right of the people, but to refuse its postal facilities for the distribution of matter deemed injurious to the public morals, and this right of discrimination was sustained.

In the later case of *in re* Rapier (143 U. S., 110), an attempt was made by eminent counsel to have the court reconsider the question and make a distinction between mail matter which was *mala in se* and that which was only *mala prohibita*, but the court declined to do so and reaffirmed the right of Congress to discriminate between mail matter.

The freedom of the mails had been under discussion in 1836, when President Jackson recommended to Congress the propriety of a law to exclude from the mails such anti-slavery literature as was incendiary in character. Mr. Calhoun, while condemning in the strongest terms the publication sought to be excluded, insisted that Congress had no such power of exclusion, because it would abridge the liberty of the press. In Calhoun's view Webster acquiesced, while Senator Buchanan supported the bill on the ground of the power of Congress to carry in the mails only such matter as it saw fit. The bill was voted down.

It is obvious that if the mails were denied to industrial trusts their power to compete would be materially lessened. Business, especially that of an inter-State character, is largely conducted

through the mails. It is said that seven hundred millions of pieces of mail matter are distributed each year in this country, as against nine hundred millions for all of Europe. Unquestionably communication could be established through the media of the telegraph and the express companies, but the facility of communication in large business corporations would be materially injured. The question is, however, open, whether Congress would have the same power to exclude mail matter, which it deems prejudicial to the public interests for economic reasons, as that which it deems prejudicial to the public morals. The cases previously referred to go far to establish an absolute and unlimited power of the Federal government to discriminate between mail matter. The Courts have not as yet decided whether in the matter of constitutional power there is any distinction between mail matter which is prejudicial to the common welfare on economic grounds and that on moral grounds. This question will be considered hereafter, when I refer to the doctrine of the Lottery Cases.

Assuming that the trusts, either inherently or in the manner of their operation, are public evils requiring a remedy, the remedies already suggested are, however, too indirect, arbitrary, and artificial to secure adequate results. Enlightened public opinion would hardly justify this attempt "by indirections to find directions out," if a more natural method presents itself under the Constitution. Such method exists in the commerce clause, as to which the power of the Federal government is supreme, exclusive and plenary.

It may be assumed that few, if any, of the great industrial amalgamations confine their operations within the limits of any one State. Practically all engage in inter-State commerce, and many of them in foreign commerce, and the more direct method of regulating them is to regulate their use of these channels of inter-State and foreign trade. And here, as previously intimated, the force of events has caused an enormous expansion of Federal power.

Burke once said that the greatest struggles in the English constitutional history have revolved about the questions of taxation. This was once true of our own constitutional evolution as a nation, but in the last half century the irrepressible conflict between the Federal sovereignty and the autonomy of the States has had the commerce clause of the Constitution as its chief battle ground.

The reasonable elasticity of the Constitution—sometimes erroneously supposed to be rigid and inelastic—is nowhere more strikingly shown than in the expansion of this power to meet the complex problems, to which our concentrated and highly complex civilization has given rise. This is not due to the conscious effort of any department of the government, of any political party, or of any individual. Mr. Dooley's famous epigram that the Supreme Court follows the election returns was witty, but untrue; but the Supreme Court does follow, as does the rest of the world, the irresistible current of economic developments, with the result to-day that the commerce power has become the awakened and not "the sleeping giant" of the Constitution.

What is commerce? Chief Justice Marshall defined it with the illuminating word "intercourse." He clearly saw that intercommunication between different nations or States, whether it took the form of transportation of merchandise or the transit of individuals or the transmission of intelligence, was the appointed path to national independence and greatness. He therefore refused to limit the word "commerce" to the mere exchange of goods, and, in effect, decided that the general power which each constituent State possessed prior to 1787 over its external relations had become vested in the United States, and that in such transfer it was in no respect diminished, except by the express limitations in the Federal compact, such as the prohibition of preferences between different ports of various States and of export and clearance duties. The delegated power was as exhaustive and plenary as that which it was intended to supersede. Commerce, therefore, meant the intercourse or intercommunication of a State with other States, or with the rest of the world.

It was accordingly held in Covington Bridge Company *vs.* Kentucky, 154 U. S., 204, that the mere passage of a foot passenger from one side of the Ohio River to the other was commerce and the court added

> "And the thousands of people who daily pass and repass over this bridge may be as truly said to be engaged in commerce as if they were shipping cargoes of merchandise from New York to Liverpool"

Indeed, the mere transmission of intelligence is commerce, and the invisible messages which are transmitted along telegraph lines

from State to State, or those which flash through the deep sea cables, or those which by the genius of Marconi are transmitted by the "sightless couriers of the air"—all, whether affecting the sale of commodities or not, are equally commerce.

One of the most recent and important cases on this subject is the Lottery cases (188 U. S., 321), where the carriage of a lottery ticket from State to State was held to be inter-State commerce, although the commodity itself was outlawed as purchasable merchandise by the laws of the various States. The extent of the power was argued at great length, and the vital and momentous question was decided as to whether the right to "regulate"—that being the term used in the Constitution —was broad enough to include the right to prohibit altogether. As to foreign commerce, the right to prohibit had been exercised in the first years of the Republic by embargoes which were finally sustained, but it was contended that the power over foreign commerce is necessarily broader than the power over inter-State commerce, and that the design of the Constitution was to secure absolute freedom for inter-State trade. As to inter-State commerce the right to prohibit had rarely been exercised, except in cases which affected public health, such as the transportation of diseased meat or dangerous explosives, and it was contended that the Federal government could not prohibit inter-State shipments for the purpose of regulating the morals of the people, for the reason that such regulation was within the reserved police power of the States. In the Lottery Cases, the Supreme Court negatived this contention and sustained the power of the government to regulate by absolute prohibition. The Court in a learned opinion by Mr. Justice Harlan, said:

"Are we prepared to say that a provision which is in effect a prohibition of the carriage of such articles from State to State is not a fit or appropriate mode for the regulation of that particular kind of commerce—or may not Congress for the protection of the people of all the States, and under the power to regulate inter-State commerce devise such means within the scope of the Constitution and not prohibited by it, as will drive that traffic out of commerce among the States?"

In answering this question, the court in its majority opinion unquestionably laid stress upon the supposed immoral nature of lotteries. It broadly claimed the same right for the Federal

Government as the State possessed with reference to domestic trade, "to take into view the evils that inhere in a particular form of commerce." But the court continued:

"In this connection it must not be forgotten that the power of Congress to regulate commerce among the States is plenary, is complete in itself, and is subject to no limitations, except such as may be found in the Constitution."

And then the Court pointedly asks:

"What provision in that instrument can be regarded as limiting the exercise of the power granted? What clause can be cited which in any degree countenances the suggestion that one may of right carry or cause to be carried from one State to another that which will harm the public morals?"

Here was an affirmative suggestion that at least so far as the public morals are concerned Congress may determine what commodities can be conveyed through the channels of inter-State trade.

The question remains, however, whether this comprehensive power to prohibit is limited to such commerce as in its nature and effect has some relation either to the physical health or moral welfare of the people, or does it extend to any form of commerce or any method of conducting it, which is prejudicial to the public welfare in an economic sense? Could, for example, the Federal government exclude from the channels of inter-State trade inter-State shipments by industrial monopolies? If they could, it is obvious that the trusts are to a very great extent subject to Federal power. It was this consideration which gave to the Lottery Case exceptional interest. It was justly regarded that the trust problem was in a measure involved. The court did not in words decide the question, but logically it unquestionably did. Possibly remembering that in the Dred Scott case it had attempted beyond the necessities of the case to solve a political problem, the court refused to say whether its decision necessarily—

"led to the conclusion that Congress may *arbitrarily* exclude from commerce among the States any article, commodity or thing of whatever kind or nature, or however useful or valuable, which it may choose, *no matter with what motive*, to declare shall not be carried from one State to another."

While not deciding any question so extreme, it took occasion to say that the power to regulate "cannot be deemed *arbitrary* since it is subject to such limitations or restrictions as are prescribed by the Constitution." But the court had already quoted such restrictions and shown that they do not limit the power to

determine what form of commerce was prejudicial to the public welfare. The court, in its opinion, had already in effect, and indeed in words, decided that there was no sound distinction between considerations affecting public morals and those affecting the economic welfare of the people; for it had said:

"The Act of July 2nd, 1890, known as the Sherman Anti-Trust Law, and which is based upon the power of Congress to regulate commerce among the States, is an illustration of the proposition that regulations may take the form of prohibition. The object of that Act was to protect trade and commerce against unlawful restraints and monopolies; to accomplish that object Congress declared certain contracts to be illegal. That Act in effect prohibited the doing of certain things, and its prohibitory clauses have been sustained in several cases as valid under the power of Congress to regulate inter-State commerce."

If, therefore, Congress has the power to declare invalid any contract or combination in the nature of a monopoly which affects inter-State trade, it must of necessity have the lesser power to exclude from the channels of inter-State trade the shipments of such unlawful combinations. Indeed, the Act itself provides for the confiscation of all products in process of transportation, and if the goods can be confiscated in course of shipment, they assuredly can be excluded before they enter the channels of inter-State trade.

The Court did not define what it meant by the word "arbitrary," but it apparently meant an Act and clearly unjustified by "the general welfare," and subversive of the fundamental rights of the people. Such an exercise of power can be imagined. If Congress should deny the privileges of inter-State traffic to any men of a given political party, the ground of the discrimination would be so foreign to any just consideration of the "general welfare" and so subversive of the fundamental right to life and liberty, that the courts could declare it unconstitutional; but the prohibition of an industrial monopoly cannot be regarded as arbitrary, for in England and America the policy of the law, for five hundred years, has steadfastly set its face against oppressive combinations to control the sale of the necessaries of life. It follows that if Congress has the power to prohibit, it has the power to permit subject to such conditions as it may prescribe, and this unquestionably affords a wide field for the exercise of legislative wisdom with respect to combinations of capital. I must not be understood as

advocating any restrictive legislation for the repression of these vast combinations of capital, which for a time result in practical monopolies. Recent events give force to the suggestion that the trust evil will cure itself, if left to natural developments, and if there be a natural remedy, it is infinitely preferable to restrictive legislation. Too often legislative cures are worse than the disease, and produce in their operation "confusion worse confounded." The purpose of this paper, I repeat, is to discuss solely the abstract question of power under the Constitution. When that is determined the secondary question of the wisdom of its exercise rises for solution. My conclusion is that Federal power over inter-State commerce is ample to meet the abuses of the Trusts. I leave to others to discuss the wisdom of its exercise,

Before concluding this paper, I may briefly refer to the most recent and interesting illustration of Federal power over inter-State commerce. I refer to the Northern Securities case—*quorum pars minimum fui*—for I had the honor to be of counsel for the Government in the lower Court.

Few, if any, cases since the Legal Tender decision have excited greater interest, but this interest is more due to the magnitude of the money interests involved than to any novel principle of jurisprudence thereby declared.

The decision did not, in my judgment, trespass upon the rights of the States as to the formation of corporations. The charter of the Northern Securities Company was not invalidated, but was expressly affirmed. The court held that the language of the New Jersey Enabling Act, authorizing the charter of corporations "for any lawful purpose" was not intended to authorize any act which violated either State or Federal Laws. The purchase of a controlling interest in competing inter-State carriers was, therefore, held to be *ultra vires* under the laws of New Jersey. The case did decide that the purchase of a controlling interest in competing inter-State carriers was, *per se*, a restraint of inter-State trade. This, however, was not a novel principle, for the unlawfulness of consolidating parallel and competing lines, either by technical merger or by indirect means, had been written into the organic law of nearly every State, and the inhibition of the Sherman Anti-Trust Law of such con-

solidation as to inter-State carriers was but a reaffirmance of the settled public policy of the American people. The merger of these competing transcontinental carriers was permanent in duration, absolute in power, and infinite in possible extension; and if the government had permitted it, but had forbidden the mere pooling of rates it would assuredly have "strained at a gnat but swallowed a camel."

The underlying question, however, is as to whether competition between railways is either practicable or desirable. Other nations have reached the conclusion that the consolidation of railways into a few and even into one system is of greater benefit to the public than a number of separate systems. But it must be remembered that in most of these countries the question is solved by the merger of the railroads into the government, which thus owns and operates them. Whether in the absence of State ownership the consolidation of transportation companies is desirable is a question about which men may reasonably differ, and no question should receive earlier and more earnest consideration at the hands of Congress.

The Northern Securities decision is also of interest as indicating a possible future retreat by a majority of the Supreme Court from the extreme position of the Joint Traffic Case, that the Sherman Anti-Trust Law forbade all restraints of trade, whether they were at common law reasonable or unreasonable. At common law the courts reserved the right to determine whether under the circumstances of a particular case a contract in restraint of trade was reasonable or unreasonable, and unquestionably the increasing tendency of the courts in later years has been to regard such restraints, except in extreme cases, as reasonable. As to ordinary contracts between man and man this does not impose an excessive burden upon the judiciary, but I believe that it would be most unfortunate to cast upon the judiciary the burden of determining when a railroad consolidation was reasonable or unreasonable. Such contracts between transportation companies are not analogous to ordinary contracts. They affect the public profoundly and the companies are quasi-public bodies vested with public franchises und they therefore owe a higher duty to the State than the individual. The courts are already overburdened with questions

that are semi-legislative, and upon Congress, as the representative of the American people, should rest the responsibility of determining by a well conceived law the extent, if any, to which the consolidation of inter-State competing carriers should be permitted.

In this connection it has been suggested that all inter-State carriers should be required to operate under a Federal charter. It would not subject them to any greater extent to Federal power, which is already plenary, but it would enable the Federal government to deal with them in a less indirect manner. In the Constitutional Convention of 1787, James Madison twice proposed an article authorizing Congress "to grant charters to corporations in cases where the public good may require them and the authority of a single State may be incompetent." The proposition does not seem to have been seriously considered by the framers, although supported by Randolph and Wilson, and was sidetracked without a direct vote upon its merits, probably because so few corporations were then in existence and so little need existed for any. In 1791, Mr. Hamilton, in proposing that a charter be granted to create a bank of the United States, contended that Congress could "create a corporation in relation to the trade with foreign countries or to the trade between the States, because it is the province of the Federal government to regulate those objects," and this view the Supreme Court sustained in McCullagh *vs.* Maryland, where Chief Justice Marshall expressly said that Congress could issue a charter to "a railroad corporation for the purpose of promoting commerce among the States." As a matter of fact, both the Northern Pacific and the Union Pacific railways were originally incorporated under Federal laws.

For this exercise of Federal authority there was little need as long as the States used judgment and discretion in granting their charters, and as long as there was a reasonable uniformity between them as to corporation laws. In recent years, however, many States have vied with each other in the shameless and inconsiderate peddling of corporate franchises. In the Northern Securities case the country witnessed the extraordinary spectacle of the Governors of five Western States, whose policy forbade the consolidation of parallel and competing lines, invoking the protection of the

Federal government against the pretended powers of a New Jersey corporation.

The difficulty, however, with a Federal charter is that its authority is necessarily limited to inter-State trade and can confer none to operate wholly within the borders of a State. This would subject the average railroad to the necessity of two charters, and thus make "confusion worse confounded." In view of the centralizing tendencies of steam and electricity our country will eventually consider the propriety of such an amendment to the Constitution as will grant to transportation companies the right to transact their business throughout the country, whether inter-State or infra-State, under the protection of a Federal charter. Such a suggestion would have shocked Jefferson as much as the creation of the Bank, and perhaps even Hamilton would not have been prepared for so far-reaching an exercise of Federal power. But neither Hamilton nor Jefferson ever conceived the possibility of the railroad or the telegraph. Through their centripetal tendencies we are no longer a group of States, united with a slender thread of Federal power, but a national organism, whose arteries are the railroads and whose sensitive nerves are the telegraph wires, and this organism can no more be divided as to commerce into separately vital parts than you could divide the human body. As Mr. Justice Bradley strongly said, "In matters of foreign and inter-State commerce there are no States."

To paraphrase one of the most distinguished of living publicists, "it is a condition and not a theory which confronts us." Indeed that great President gave one of the most striking manifestations of the unity of the nation for commercial purposes when, in disregard of the clamor of labor agitators and political demagogues, he forcibly cleared the channels of inter-State trade from unlawful obstructions. Rarely has the supremacy of Federal power over inter-State trade been more strikingly manifested. If, as many believe, these channels are now obstructed by more powerful forces, which restrain the free flow of commerce and oppress the people by stifling competition, then assuredly an equal duty exists to vindicate the freedom of commerce from unlawful monopoly. The problem will not be solved in a day or a generation, and in the course of its solution many existing theories, legal and economic, will doubtless

be swept away. The question should be approached with neither passion nor hysteria, and to its solution the policy of publicity, which we largely owe to President Roosevelt, will make a valuable contribution. As the President well said in his last Message:

> "Publicity in corporate affairs will tend to do away with ignorance and will afford facts upon which intelligent action may be taken."

If the problem be approached in this spirit, it may be confidently predicted that in its solution the American people will not ultimately fail.

The Scope and Limits of Congressional Legislation Against the Trusts

By Charlton T. Lewis, LL.D.

THE SCOPE AND LIMITS OF CONGRESSIONAL LEGISLATION AGAINST THE TRUSTS

CHARLTON T. LEWIS, LL.D.

IN this discussion the word "trust" is accepted as meaning any aggregation of capital in corporate hands, so large as to be an important factor in any branch of industry. This is an abuse of the word, and has its origin in the fact that the earliest attempts to combine competing masses of capital which excited public apprehension were organized in the form of trusts, in which trustees controlled a plurality of corporations by holding the legal title to most of their stock. The application of familiar principles of the common law by the courts proved fatal to this form of organization. Individual corporations, however, soon arose, representing aggregations of capital as great or greater than any of the trusts had controlled, and the name of "trust" is indiscriminately applied to them in popular language. It is freely used by careless or prejudiced minds with the implication of illegality, which properly applies to the trust organization. But it is impossible to restore the term to its correct use, and with this explanation we must accept it.

A tendency to form these vast aggregations of capital has been singularly active of late. About five years ago began an extraordinary awakening of the spirit of enterprise throughout the civilized world. There had been a long period of comparative stagnation in most branches of industry, limiting invention, experiment, new construction, and the activity of speculation in general. But under the stimulus of overwhelming accumulations of saved capital in all markets seeking profitable investment, of new discoveries and large production of the precious metals, of revolutionary invention, especially in developing and applying electric power, there was a rapid and almost sudden outburst of speculative energy in Europe and America. It was natural that its forms should be profoundly impressed with that spirit of association which is the basis of civilization. This tendency had been foreshadowed in the social and political life of all civilized countries through the last half of the

Nineteenth Century. The most characteristic feature of universal history during that period has been the combination of States and nations into vast empires, of divided races into political units conscious of their kindred, of factions into parties, of workingmen within their industries into differentiated and interdependent groups, and outside of these industries, into Unions with vast aims and impulses; in short, the great inventions by which the barriers to intercourse were broken down had been the symbol of the entire social life of civilized humanity, from the diplomatic and administrative forces of government down to the parody upon true combination which is represented by the schools of Socialism.

Accordingly, it is a simple truth of social science that the formation of the trusts under this spirit of association is simply the application in the industrial world of the true law of progressive civilization. I cannot here justify this assertion in detail. It is, however, admitted by all intelligent students of the subject that the so-called "trusts" have already taken their place among the most beneficent forces of our industrial and commercial life. No measure can be made of the degree in which they have economized production, cheapened commodities, raised the average standard of comfort in life, organized intellect in all departments of practical work, opened new ways to ability and honorable ambition, and contributed to adjust the relations of labor to employers. But in each of these ways a work so important as to be revolutionary has been begun under their influence, and none can question that the natural tendency of their development, unless some counteracting forces be found which fatally interfere with it, must be steadily to increase the obligations to them of society at large.

How, then, are we to account for the widespread hostility felt toward the trusts? What is there in them, or in their influence and tendencies, to justify apprehensions of danger from them, either to the economic or to the moral and political interests of society? The hostility to them rests largely on an undefined dread which seems to have its origin in the vague declamations of demagogues, or in the prejudice of minds which are rebellious towards the entire organism of our industrial society. The cry of "Monopoly!" against the trusts is repeated and emphasized in a thousand forms and has great influence in exciting such prejudice. Yet no

serious student finds any foundation for a legislative attack upon large combinations of industrial capital in a real apprehension of monopoly. In fact, the popular and political tendency to respond to the denunciations of the great corporations as monopolists is certainly a temporary phenomenon, which is already beginning to disappear, and which must give place to more serious grounds of opposition if hostility to their existence is to be the permanent policy of any enlightened people. Students of high authority, however, have discovered and emphasized evils which have been associated with the recent growth of the great corporations. These are presented by public men claiming to be statesmen as a sufficient reason for indiscriminate attacks upon all corporations of this class. These evils are described in great detail as seen from different points of view, but for our purposes they may be summed up as substantially covered by two heads: first, improper discriminations in price of service by public service corporations between great industrial combinations and private shippers, resulting in the aggrandizement of the trusts at the expense of smaller and independent industries. Indeed, in several instances it is asserted with apparent reason that these discriminations have been the principal means of building up the power of certain trusts. Secondly, an evil which has essentially characterized the movement towards combination during recent years is commonly indicated by the word "over-capitalization," which really is used to point out all kinds of dishonest practices in the formation of trusts, by which their shares have been given to the public at inflated values, and promoters vastly enriched at the expense of investors. In short, the word commonly implies all the swindling processes in the production and manipulation of securities, which are facilitated by the vast volume of these combinations, in connection with the carelessness, the want of intelligence, and especially the low moral standard which are so general among investors and in the mercantile community at large.

These are the realities under the vague and often shadowy complaints which are made of the trusts. But careful reflection shows that all these evils really lie, not at all in the nature of the trusts themselves, but in the nature of the people who control them and deal with them. These forms of wrong have existed

as long as commercial immorality itself, and have become conspicuous in connection with the trusts solely because they become greater and more dangerous when perpetrated on so large a scale as that which has been opened to them in these combinations.

It is the business of government to prevent evils of these classes. Holders of a public franchise must administer it with equity, respecting the equal rights of all citizens. The police power of the government is as much bound to compel this course and to prevent unjust discrimination as it is to protect any form of private property against robbery. Fraud by direct or indirect misrepresentation of value, by deception wrought on a large or small scale, through forms of organization or falsehoods of bookkeeping, must be prevented, and, if perpetrated, must be punished with all the energy of which the strong arm of society is capable. Whether such wrongs are wrought in the handling of small or of great affairs makes no difference in principle; it is one of the first duties of organized society by its governments to suppress such wrongs, and if it fails to do so the fault lies in itself. But it must be carefully kept in mind that these classes of wrongs, like all other crimes against property, are and have been from the first direct violations of laws long established, and which it is the recognized duty of the courts to enforce. There is absolutely nothing in the nature of a large corporation to affect in any degree the character of these acts. There is nothing in the extent of the combinations of capital which have arisen in recent years to make these wrongs more dangerous in their nature, or more frequent. The growth of wealth, of course, holds out to fraud a greater promise of reward, and by increasing the temptation to wrong increases the necessity of vigilance against it, and of a thorough enforcement of the laws; but it has no tendency to make any new principles of law necessary. Fraud of every kind, in the organization and administration of the greatest of conceivable corporations, is in its nature the same as fraud in the most trivial dealings between individual citizens. If by reason of the great interests with which it deals it excites apprehension lest it be found impossible to suppress it, the reason must lie in a fear lest the government be too weak to execute the laws against the rich and powerful.

That an agency can be abused is not sufficient reason for

destroying it. Railroads, if mishandled, may be instruments in many ways, not only of fraud, but of danger to life. This proves the obligation to regulate them and to hold their administrators rigidly to their duty, but not to tear them up. Equally true is it that the trusts, which are becoming the great means of facilitating the advance of industry and improving the industrial organization of society, may be abused. In many instances, doubtless, the process of their formation and development has been tainted with fraud, and their organization has sometimes been controlled by interests not in harmony with the good of society at large. But what they need is regulation, and not destruction. Let all unfair discrimination be suppressed, let misrepresentation and fraud in the financial conduct of these great masses of capital be prevented, and the sources of just reproach against them will be stopped. They will then be recognized as beneficent and potent agents in the development of all national wealth and of social organization.

The more we reflect upon the conditions now confronting our industrial society and the period of transition through which it is passing, the more profoundly we shall be convinced that the essential defect is in the government itself, and is of a two-fold character. In the first place, it fails in its aims. It is an unquestioned fact that selfish aims, personal interests, class preferences, have to an extraordinary extent submerged statesmanship in our politics. So true is this that if in any public position a man appears whose actions and speech indicate an unreserved devotion to the public interests, with entire independence of local or class preferences, he is wondered at as a strange phenomenon. Such a man is noted as a theorist, a sentimentalist — as anything but a practical politician. It is hardly conceivable that a man of this stamp could obtain leadership in any party, or even a position as a representative candidate of any great political group. In the second place, government is defective in the misdirection of its efforts, through prejudice. Nothing more illogical, nothing more inconsistent with the principles of our institutions can well be imagined than the statutes by which trusts have been assailed in our State and National Legislatures; unless it be the curious absurdities of legislation which have not yet been adopted, but are strenuously advocated by many public men.

It would be interesting to review these in detail, but it is enough for our present purpose to point out that the most familiar of such statutes, those which have attracted the most attention—the Inter-State Commerce Act of Congress for the regulation of railroads and the so-called Sherman Law for the control of great industrial corporations, are of an essentially political character. Each of them is an undisguised bid for popular support on the part of a political faction. That is to say, it is an appeal to prejudice and ignorance, rather than an expression of constructive statesmanship. In the case of neither of these laws had the authors any conception of its real meaning, as that meaning has been evolved by the courts, nor of its ultimate effect. They did not know what they had done in passing them. The report of the Attorney-General of the United States presented to Congress in 1893 remains to this day one of the most important documents in the history of the subject. It stands in pointed contradiction to the work of Congress, as followed up by logical compulsion in the courts, from that day until now; but in its statesmanlike grasp of the real conditions of the questions before us, it has not since been equalled, and its fundamental positions have not been answered. It is as true to-day as it was then, that Congress has no power to limit corporations or citizens in the amount of property which they may acquire; that it has no power to make a crime of any act which is done by a corporation or a citizen under the sanction of the State, in the management of property which has been lawfully acquired; and that contracts in unreasonable restraint of trade are void at common law. Everything which has been done or attempted in violation of these principles, or in extension of them, by acts of Congress, and by judgments of the courts in pursuance of these acts, has served but to confuse the subject and to divert the intelligence of the country and the energies of the government from the proper work of enforcing the principles of the common law and preventing fraud.

The statement of what the evils to be apprehended from the trusts really are is enough to point out the direction in which the remedy is to be sought. It is the enforcement of the principles of the common law, which are nothing more nor less than the rules of business honesty, which is needed. The salient obstacle to this

enforcement in any case is the difficulty of obtaining legal evidence of fraud. This difficulty arises wholly from the fact that the wrongful transactions are carried on in secret. It would be impossible for a public-service corporation to discriminate unjustly between patrons, if every contract for its service were public. Complete publicity governing all the circumstances and all the business relations of such corporations would put an end to improper discrimination. Notwithstanding the many devices and tricks by which this kind of favoritism is sometimes disguised, it cannot be successfully concealed from experts who have access to truthful records of all the dealings. Objections are often urged to such publicity as improperly exposing business affairs to competitors. The objection has little application to corporations enjoying and operating public franchises. But whatever force there is in it in any case may be removed by fixing a limit of time within which the disclosure shall not be required. There is no good reason why any corporation, commercial or industrial, should not at any given date disclose without reserve every transaction which was closed upon its books not less than a twelve month before that date. Legislation designed to make it certain that such disclosure will be complete, unreserved and truthful, would have a definite and proper aim. It would be auxiliary to the enforcement of the principles of common law, and would in no sense be anti-trust legislation, as distinguished from legislation against fraud in general. But were it efficient, the apprehension of certain exposure in the near future would be a potent preventive of unjust discrimination and of kindred wrongs.

The same principle of enforced publicity applies with equal clearness, and without the necessity of any time limitation, in the organization of corporations, and especially of those which are planned to any extent as holders of the shares of other corporations. The moral sense of the community has been offended in many cases by the methods of promoters and organizers. It has become known that in the formation of several great corporations immense profits were obtained by the handling of securities at the expense of the ultimate shareholders, who invested their money in entire ignorance that such a dispositon would be made of much of it. The laws of Great Britain in this respect are vastly superior

to those of any of the United States, though it is recognized that experience has revealed imperfections in them. But they point the way for an excellent system of control in providing that the promoters of every new enterprise of a corporate character shall make a complete and candid disclosure of their own relations to the corporation and of their interests and possible profits. Any concealment from those who are invited to invest in such properties of the cost of the machinery employed in the organization should be made impossible. It is so clearly a cover for fraud that it should be prohibited and punished as itself a fraud. This cannot be accomplished, of course, without the co-operation of a large number of State governments; but there are fields of jurisdiction belonging to the National government in which it might well set the example.

The prime need of the times is that the moral tone of the organized community be strengthened. At present our politics reflect, in its lowest and basest side, the moral character of the nation; our legislation is the least developed and least scientific expression of our social organization; our beautiful civilization, with its glorious aspirations, its education, its patriotism, its progressive elevation of thought and life, its advance in culture, in humanity, in benevolence, finding expression in science, in literature, in social life, and in active charity, finds as yet no corresponding fulfillment of itself in government. Apart from the courts of law, where the traditions of a lofty standard of thought and of conscience are still to a large extent controlling, every branch of our government is infected by the commercial spirit, which often holds a veto upon statesmanship that interferes with class interests or with certain personal ends. This degeneration of political life taints and impresses with its own feebleness the moral energies of the community everywhere. Statesmanship in our State governments is no longer expected by public opinion, and its appearance would strike the nation with amazement. Hence it is that when frauds are perpetrated, either in the organization or in the administration of the trusts, government has neither the virtue nor the intelligence to apply the remedy. Legislation has failed to add anything whatever to the principles of the common law, in its attempts to regulate these combinations. Let the old and accepted principles of law be applied and enforced, and the problem would be solved. But these rules of justice must

needs be applied alike to the greatest corporation and to the poorest laborer.

One serious obstacle to such enforcement lies in the division of jurisdiction under our Constitution. The nation and the individual State must have the limits of jurisdiction and of power defined for each of them. The fact that commercialism and corruption have obtained great influence in the States led public opinion to accept the National government as a refuge. This did much to throw the moral sense of the country on the side of centralizing power in Congress. The natural and necessary result has been rapidly to lower the character of our national legislation and administration, until they have approximated the level to which the State governments had fallen. But the tendency to centralize power in the national administration and in Congress has been fostered by other influences, and is in fact but a part of the general movement of the association and combination which is the chief characteristic of our contemporary civilization. It has now gone too far to hope than it can be checked, even if a check were desirable.

The ultimate appeal in every case which, like that before us, involves the future of our institutions and of our civilization, is to the public intelligence and conscience. The present situation, and especially the present degradation of our political life, must be clearly acknowledged, but it is no reason for despair of the problem before us. There are already indications that public opinion is slowly becoming enlightened upon the social as well as the economical principles which must control the question, and this enlightenment promises to be the first step to a thorough awakening of the public conscience to the duties of government in the regulation of capital, and in particular, to the absolute necessity of enforcing sound moral principles in dealing with great commercial forces. Important changes in the attitude of vast communities upon kindred subjects are not without precedent. A century ago the entire civil service of Great Britain was permeated with corruption. Offices of state were largely subjects of bargain and sale; every department of administration was hampered and enfeebled by influences which were wholly controlled in private interests, as distinguished from those of the nation at large. To-day the picture is reversed: the tone of public morality is changed from its foundation, and the abuse

of public office to private gain is as definitely a crime to the common mind as any form of vulgar theft. In several divisions of the German empire a similar change has taken place. In both these countries, there is now practically no question of the ability of the government to deal with any commercial or industrial power which has a prospect of existence. The moral strength of our republic may be somewhat slower to develop, but there are instances enough in our history of the capacity of the people for moral indignation, and for a wise expression of it in law and administration, to justify us in full confidence that a similar process will furnish in the end a complete and permanent solution of this problem also.

The Northern Securities Case

By James Wilford Garner, Ph.D., University of Pennsylvania

THE NORTHERN SECURITIES CASE

JAMES WILFORD GARNER, PH.D.
University of Pennsylvania

The history of the conception, organization and undoing of the Northern Securities Company cannot fail to be of interest to students of transportation problems and constitutional law.

The recent decision of the Supreme Court which restrains the company from carrying out its real purposes is generally regarded as one of the most important ever pronounced by that august tribunal. Opinions differ widely, however, as to the merits of the decision; some have gone so far as to say that it means more to the people of the United States than any other event which has happened since the Civil War;[1] others assert with equal confidence that a more iniquitous decree was never made by a court.[2] In this article an effort will be made to review the steps leading up to the organization of this remarkable corporation, the purposes for which it was formed, the various legal prosecutions which it underwent, the decision of the Supreme Court in its various bearings, and the perplexing question of readjustment following the decision.

I. CONCEPTION AND ORGANIZATION.

The Northern Securities Company is a corporation formed under the laws of New Jersey in November, 1901, for the primary purpose of acquiring and holding a majority of the stock of the Northern Pacific Railway Company, a Wisconsin corporation, and a part of the stock, but not a majority (so the Company alleges) of the Great Northern Railway Company, a Minnesota corporation.

The ultimate purpose, it was asserted, was not to vest the control of the two railroad systems in one body with a view to suppressing competition, but to protect the Northern Pacific road from the destructive raids of a third system and for the creation and development of a great volume of trade among the States of the Northwest and between the United States and the Orient by

[1] Remarks of Governor Van Sant, of Minnesota: Associated Press dispatch of March 14th.
[2] Prof. C. C. Langdell: Harvard Law Review, vol. 16, p. 549.

establishing and maintaining a permanent schedule of cheap transportation rates.

The Great Northern and Northern Pacific railroads are substantially parallel lines extending from Lake Superior through the States of Minnesota, North Dakota, Montana, Idaho and Washington to the Pacific Ocean, each connecting with lines of steamships at their termini on the Great Lakes and the Pacific Ocean. Their aggregate length exceeds 10,000 miles and although separated at most points by an intervening country hundreds of miles in extent, they touch at several places, notably Duluth, St. Paul, Fargo, Helena, Spokane, and Seattle. The total amount of their interstate traffic which may be said to be distinctively competitive, is relatively small. Mr. Hill testified that it did not exceed ten per cent.[3] while counsel asserted that it did not exceed three per cent.[4] and this the Government did not deny, but asserted that even if the minimum estimate were true the total amount of traffic affected would approximate $800,000 per year.[5] Whatever may be the actual facts as to this point, the Supreme Court had already decided in a previous case that the two roads were parallel and competing lines.[6] Both have competitors in the Union Pacific Railroad on the South and the Canadian Pacific Railroad on the North, each of which extends to the Pacific Ocean, and the latter of which touches at St. Paul.

The policy of the Great Northern Railroad since 1893 has been determined mainly by Mr. James J. Hill and his associates, not through the ownership of a majority of the stock, for they have never owned more than one-third of the total, but by reason of the implicit confidence which the stockholders have reposed in Mr. Hill's remarkable ability and success.[7] The destinies of the Northern Pacific since its reorganization in 1896 have been mainly controlled by Mr. J. P. Morgan and his associates, who have acted in concert with Mr. Hill in matters affecting the interests of both systems. The first instance of this joint action was in 1896, when Mr. Morgan,

[3] Record, pp. 714, 715.

[4] Mr. Young's brief, p. 7; Mr. Grover's brief, pp. 4–7.

[5] Brief for the United States, p. 11; Mr. John G. Johnson, of Counsel for the defendants, thought as much as 25 per cent. of the interstate traffic of the two roads is nominally competitive, but that more than one-fifth of this could be transported by other systems.—(Johnson's brief, p. 5.)

[6] Pearsall *vs.* Great Northern Railway, 161 U. S., 646.

[7] Record, p. 698.

in effecting a reorganization of the Northern Pacific, entered into an arrangement with Mr. Hill by which the stockholders of the Great Northern were to take over one-half the capital stock of the Northern Pacific and to guarantee its bonds. This arrangement, however, was held to be a violation of the law of Minnesota which forbids the consolidation of parallel and competing lines of railroad, and the decision marks the first of the series of defeats which the Hill-Morgan interests have encountered in their efforts to establish a "community of interest" between the two roads. A second instance of the kind was a joint attempt early in 1901 to purchase the Chicago, Milwaukee and St. Paul Railroad, but the negotiations fell through. A joint effort was then made to purchase the Chicago, Burlington and Quincy, an extensive system embracing about 8,000 miles, traversing the States of Illinois, Iowa, Missouri, Nebraska, Wyoming and Colorado. This effort was successful, the purchase price being $200 per share, or about $216,000,000 in all, payable in the joint bonds of the two companies.[8] The motive alleged for the purchase was the desire to effect an arrangement by which west-bound freights could be secured for the empty lumber cars returning from the Mississippi Valley to the Pacific Coast, so as to reduce transportation rates on lumber and other heavy natural products from the far West. If markets for Eastern and Southern products could be created on the Pacific Coast and in the Orient, the problem of return freights for empty cars would be solved. To create this new trade it was necessary to give the Oriental importer assurance that the low transportation rates offered would be permanent. No such assurance, it was asserted, could be given if the Burlington road, which constituted an essential link in the connecting chain of transportation, might in the future be induced to make changes in its rates.[9]

Immediately after the purchase of the Burlington became known, those interested in the Union Pacific Railroad, chief of whom was Mr. E. H. Harriman, realizing the danger from a permanent competition which the transfer of the Burlington to the Hill-Morgan combination assured, made overtures for an allotment to them of a portion of the Burlington shares, but their request was denied.[10]

[8] Mr. Young's brief, p. 31.; brief for the United States, p. 17.

[9] Mr. Johnson's brief, p. 7.

[10] Mr. Hill's testimony, Record, p. 44–46.

Thereupon ensued the "raid" of the Union Pacific or Harriman interests on the Northern Pacific shares, culminating in the memorable panic of May 9, 1901. They succeeded in acquiring a majority of the total capital stock of the Northern Pacific Company, but fortunately for the Hill-Morgan interests nearly one-half of this stock belonged to the *preferred* class and was subject to retirement at any moment before January 1, 1917. It was the mistake of the Union Pacific interests in buying preferred instead of common stock that saved the Hill-Morgan interests from losing control of the Northern Pacific. The retirement of the preferred stock and the purchase of additional shares of common by Messrs. Hill and Morgan still left them in possession of a small majority of the shares. But there was always the danger that this majority might be converted into a minority at any moment by changes of ownership resulting from the death or weakening of the allegiance of friendly shareholders.

The effect of the acquisition of a majority of the shares of the Northern Pacific by the Union Pacific interests, Mr. Hill asserted, would be to put its control practically in the hands of those who were hostile to its growth and development and destroy its value. The interests of the Great Northern shareholders, he asserted, would be similarly affected.[11] To prevent the possibility of such a contingency in the future and to protect the Northern Pacific Company from the recurrence of future "raids," it was determined by Mr. Hill, Mr. Morgan and their associates to form a holding corporation to which should be transferred in full ownership the shares of the Northern Pacific Company held by Mr. Morgan and his associates as well as those held by Mr. Hill and his friends in the Great Northern. This would give the proposed company a majority of the Northern Pacific shares, but less than one-third of those of the Great Northern.

To use Mr. Morgan's language: "What I wanted to accomplish was to put that stock where it would be protected."[12] It was first proposed to organize the holding company as a Minnesota corporation provided a territorial charter could be found which was beyond the power of legislative amendment, but a diligent search failed to find such an one.[13] Organization under the general laws of

[11] Mr. Hill's testimony, p. 694.

[12] Mr. Morgan's testimony: Record, p. 344.

[13] Colonel Clough's testimony: Record, p. 784.

the State of Minnesota was not favored because of the double liability imposed on shareholders and the general unfriendliness of the State towards corporations. After an examination of the laws of West Virginia, New York, and New Jersey, the latter State was selected "principally because its incorporation laws were of earlier date and had been more thoroughly construed than those of other States."[14]

On November 13, 1901, the projected company was incorporated under the name of the Northern Securities Company. It was agreed that its shares should be given in exchange for Northern Pacific shares on the basis of $115 per share and for Great Northern stock on the basis of $180 per share, the price in both cases being somewhat less than the market value, a fact which is not without significance. The original plan was to capitalize the concern at an amount only sufficient to acquire a majority of the Northern Pacific stock and the holdings of Mr. Hill and his friends in the Great Northern which amounted to less than one-third of the total. Subsequently the scheme was enlarged so as to give all the shareholders an opportunity to sell their stock to the new company, not for the purpose, it was asserted, of acquiring a majority of the Great Northern stock, but to give all the shareholders the same opportunities that were given to Mr. Hill's friends. The capital stock of the Northern Securities Company was, therefore, fixed at $400,000,000, the estimated amount necessary to take over at the exchange valuation agreed upon the entire capital stock of the Great Northern and Northern Pacific companies. Shortly after the organization of the company a considerable number of the "outside" holders of Great Northern stock upon the advice of Mr. Hill that they could do so with profit and advantage to themselves, accepted the offer of the Northern Securities Company and sold their holdings on the basis mentioned above.[15] The result was that within a month after the organization of the Northern Securities Company it had acquired about 76 per cent. of the entire capital stock of the Great Northern Railroad. A few weeks later the Union Pacific holders of Northern Pacific stock seeing that they were outdone sold their stock to Mr. Morgan, receiving pay partly in cash and partly in Northern Securities stock, as a result

[14] Mr. Young's brief, p. 69; Mr. Grover s brief, p. 46.

[15] Brief for the United States, p. 46; also Mr. Hill's letter. Record, p. 703.

of which the Northern Securities Company came into possession of about 96 per cent. of all the shares of the Northern Pacific. The effect was to place the control of the two roads in the hands of a single corporation, the Northern Securities Company, and to substitute in the place of two distinct sets of stockholders with rival and competing interests, one set of stockholders with common interests, or, to use the language of the Court, "the stockholders of the two competing companies disappeared, as such, for the moment, but immediately reappeared as stockholders of the holding company which was hereafter to guard the interests of both sets of stockholders as a unit."

II. The Securities Company in Court.

Soon after the full import of the organization became known a conference of Governors and Attorneys-General representing the States directly affected was held, upon the suggestion of the Governor of Minnesota, at Helena (December 30) and it was decided that the State of Minnesota should bring suit under the Sherman Act against the Securities Company in the United States Supreme Court. Permission, however, to file a bill for this purpose was denied. The State of Minnesota then instituted proceedings in its own courts; the case was transferred to the United States Circuit Court and eventually carried to the Supreme Court, when a decision was rendered April 11, 1904, against the State on a ground of jurisdiction.

But the suit that was destined to result in the undoing of the Securities Company was that instituted on March 10, 1902, on behalf of the United States, in the Federal Circuit Court for the District of Minnesota. The case was heard before the four judges of the Eighth Circuit in accordance with the Act of February 11, 1903, for expediting the hearing of anti-trust cases, which provides that such cases shall be heard before not less than three Circuit Judges of the Circuit in which the suit is brought and that appeals from them shall lie directly to the Supreme Court. On April 9, 1903, a unanimous decision was rendered holding that the acquisition by the Northern Securities Company of a majority of the Stock of the Northern Pacific and Great Northern roads was a combination or conspiracy in restraint of trade among the States, and a decree was issued prohibiting the company from acquiring further stock of the two

roads, from voting stock already acquired, from receiving dividends thereon, and from exercising any control over either road. The defendant railroads were enjoined from permitting their stock to be voted to the Northern Securities Company or paying dividends to the Northern Securities Company. Subsequently one of the judges suspended that part of the decree which forbade the payment of dividends, pending an appeal to the Supreme Court, to which the case was now carried.

The several lines of argument upon which the defendants relied may be roughly grouped as follows:

First, the acquisition by the Northern Securities Company of a majority of the shares of the two defendant railroad companies was not a "contract, combination or conspiracy" in restraint of trade or commerce among the States nor a "monopoly" of such trade but simply a contract of purchase and sale in no way connected with interstate trade or commerce. An agreement among competing lines to fix rates as in the Trans-Missouri case, or an agreement among manufacturing concerns not to compete among themselves for the sale of their products, as in the Addyston Pipe case, were true contracts in restraint of trade, but only by the wildest stretch of the imagination, they contended, could an agreement to acquire property be placed in the same category. Nor could it be said that there was any monopoly even though it were granted that the purpose of the "merger" was to suppress competition, since monopoly involves the idea of the exclusion of other supply. There could be no monopoly unless all the existing roads were acquired by the Securities Company and the building of others was forbidden.

Second, there was no evidence of intention upon the part of the defendants to restrain or monopolize trade among the States as charged by the Government. The underlying motive, they asserted, was not to suppress competition, but to protect from the hostility of an enemy an arrangement designed to create and extend commerce both among the States and with foreign countries. In support of this proposition it was shown that the lumber business had been enormously developed, that a large trade in cotton and steel products with the Orient had been created and that transportation rates had been considerably reduced—so much so that a loss of $1,000,000 in net earnings had resulted. It was, for example, shown that flour was being

transported from points in the Mississippi Valley to China, a distance of nearly 8,000 miles, at the rate of 80 cents per barrel, while the rate to New York from the same points, distances less than 1,500 miles, was fifty-five cents per barrel.[16] The problem of return freights had been solved and a large coal traffic between Illinois and the States traversed by the Great Northern and Northern Pacific lines had been developed, the result of which was to relieve the inhabitants of this region of dependence upon the distant mines of Pennsylvania. In short, from whatever point of view it was considered only results of the highest benefit to the public at large had followed the "merger" and although this did not prove the absence of criminal intent, it constituted a very strong presumption against such intent. The defendants insisted that if the mere act of acquiring the stock of the two roads itself constituted restraint the presence or absence of evil intent was immaterial, but if it did not and this seemed self-evident, and if such acquisition had not resulted in restraint and the contrary was conclusively proven by the defendants and was not denied by the government, then the existence of criminal intent was necessary to constitute an offense. The government took the position that both questions were immaterial and the Court sustained the contention.

To the allegation of the government that the Securities Company had been able to acquire a majority of the shares of the Great Northern (Mr. Hill and his friends owned but twenty-seven per cent. of the total) only by the "advice, procurement and persuasion" of Mr. Hill, the defendants replied in effect that the Company never contemplated taking over any of the Great Northern stock except that owned by Mr. Hill and his friends, and in fact would have preferred not to admit "outsiders," but not wishing to expose themselves to criticism it was decided to allow them to exchange their shares for Northern Securities stock if they wished. Being applied to for advice Mr. Hill prepared a circular to be sent only to those making inquiries, stating that in his opinion the Northern Securities offer could be accepted with profit and advantage.[17] Further than this there was no "advice, procurement or persuasion."

Third, the Northern Securities Company did not possess the

[16] Mr. Johnson's brief, pp. 13–16; see also Mr. Grover s brief, pp. 105–109; Mr. Hill s testimony: Record, pp. 677–737; Mr. Young's brief, pp. 29–41.

[17] Mr. Young's brief, pp. 79, 80

power to restrain the trade of either road. It was merely an investment company and was not engaged in the business of transportation. The two railroad companies still remained as separate corporations with separate boards of directors, and by the laws of Minnesota and Wisconsin, no person who was a director in one company could serve on the board of directors of the other. Each was left free to conduct its own business independently of the other and it was therefore immaterial who held the shares since the affairs of a corporation are managed not by the shareholders but by the directors.[18] When it is remembered, however, that the election of the boards of directors of both roads was vested in the Securities Company this argument will be seen to have little weight.

Fourth, granting *arguendo* the contention of the Government that the Northern Securities Company had acquired the *power* to suppress the relatively insignificant amount of distinctly interstate traffic it did not follow that the power would be exercised. The mere possession of power to do wrong is not criminally reprehensible if not exercised. It is the abuse of power, and not the possession of it that the law condemns. The man who purchases a gun acquires the power to commit a crime, but it is the exercise of the power that is punishable. There is no identity between the power to suppress competition and suppression any more than there is between potentiality and actuality. Moreover, the failure to exercise the power for more than two years after acquiring it rather constituted a presumption that it would not be exercised.

Fifth. The power of Congress to regulate interstate commerce does not include the power to regulate the acquisition, transfer and ownership of shares of stock in corporations created under State law. The defendants contended that the overt act which had been committed was nothing more than the acquisition by one State corporation of the shares of two other State corporations. It was only a transaction of purchase and sale which had no more to do with interstate commerce than did the purchase by a farmer of an additional farm or the acquisition by a manufacturer of a neighboring factory or other enterprise. The corporations concerned being creatures of the State it necessarily followed that the power to determine who should own their shares of stock, the conditions under

[18] Mr. Young's brief, pp. 101, 192, 196.

which they should be held or transferred, the voting power which should attach to each, the liability of the shareholders, etc., belonged to the States which created them and to no other authority.[19]

Sixth. Still another line of argument which deserves more consideration than it has received was the contention of the defendants that the Sherman Act was not intended to include agreements to purchase railways or to acquire the shares of competing lines or to consolidations, inasmuch as Congress well knew that at the time of the enactment of the Anti-trust Law the greater part of the railway system of the country rested upon such combinations either expressly authorized or tacitly permitted by the States, some of them having existed many years. If, therefore, it had been the purpose of Congress to declare such arrangements illegal, their securities void, and the State legislation authorizing them to be unconstitutional, it would have been so declared in more specific language than is employed in the Sherman Act. Many "mergers" have occurred since the enactment of the Sherman law and they have all been a matter of common knowledge.[20] But in no instance has the Sherman law been invoked against one of them, although they have practically destroyed competition in the territories traversed by them. The explanation offered was, that in the judgment of the Government, they were not combinations *directly* in restraint of interstate commerce and consequently the Sherman Act had no application. The defendants in the Northern Securities Company insisted that if the act did not apply to those combinations it should not be construed to apply to theirs.[21]

Seventh. The Sherman Act was directed only against *unreasonable* restraints of trade such as restrictions with regard to the place of carrying on trade, the amount to be done, the regulation of prices, the use of trade secrets, etc., and not against those incidental and reasonable restraints that were always regarded as unobjectionable at common law.

Eighth. The Sherman law being a criminal statute should be strictly construed, or at least should not be enlarged by construction.

[19] Mr. Young s brief, pp. 227–237; Mr. Johnson's brief, pp. 60–67.

[20] It was pointed out for example that of the six railroad and steamship lines between New York and Boston not one was free to compete with the others. Likewise the several originally competing lines between Washington and New York are now all under the control of a single road.

[21] Mr. Young's brief, pp. 238–272.

This being true, the first section should not be stretched so as to make criminal every agreement that merely *tends* to restrain trade or that merely confers *power* to restrain.[22] To be brought under the condemnation of the Anti-Trust Act the agreement must be one which will of itself operate as a restraint and not one from which restraint results only as an incident of the ownership of property. This was the doctrine of the Hopkins case where it was said that the Sherman Act applied only to those contracts whose direct and immediate effect is restraint.

Ninth. The Government was not entitled to maintain this action for the conspiracy charged, if it ever existed, had accomplished its purpose and had come to an end before proceedings were commenced against the defendants. The overt act had already been done and could not, therefore, be restrained after its consummation. The relief which the Sherman Act affords is power to restrain *executory* acts and not those already executed.

III. The Opinion of the Court.

The arguments in the case were heard at Washington, December 14th and 15th, and the decision of the Court was announced on March 14th. The decree of the Circuit Court was affirmed by a vote of five to four. Justice Peckham, who wrote the majority opinions in the Trans-Missouri and Joint Traffic cases, Chief Justice Fuller, who concurred in both of these opinions, and Justices Holmes and White, dissented in the present case. Neither Justice Peckham nor Chief Justice Fuller have undergone a change of view, as is sometimes asserted, but were forced to separate from their colleagues with whom they had concurred in the two preceding cases, on account of the presence of a new issue in the present case, namely, the right of Congress to regulate the ownership and control of property in State corporations. No such question as this was raised in either of the traffic cases, the main issue there relating, so far as the power of Congress was concerned, to agreements or arrangements among interstate railroads to regulate their rates and pool their traffic. Their positions in those cases and in this one are, therefore, not at all inconsistent. The prevailing opinion in the present case was written by Justice Harlan, who had written the dissenting opinion in the Knight case.

[22] Mr. Young's brief, p. 119.

Brushing aside as immaterial various minor contentions of the defendants the Court went directly to what it considered the two main questions involved. These were, first, whether through the organization of the Northern Securities Company the power had been acquired to restrain or monopolize commerce among the States and, second, whether the application of the Sherman law could be extended to such cases as this one where the right of the individual to acquire and hold property in a State corporation was in issue. Without directly imputing bad motives to the defendants the Court declared that the effect of placing a majority of the shares of the stock of the two roads in the hands of a holding corporation, which the Court described as a "mere custodian," was to give it the power to control the operation of both roads in the interest of those who were the stockholders in the constituent companies, as much so for every practical purpose as if it had been itself a railroad corporation which had built, owned and operated both lines for the exclusive benefit of its stockholders. It necessarily resulted from this arrangement that the constituent companies ceased to be in active competition for trade and commerce along their lines as formerly, and became practically "one powerful consolidated corporation, the principal object of which was to carry out the purpose of the original combination under which competition between the constituent companies would cease." No scheme or device, the Court thought, could more effectively suppress competition between the two roads, and that was enough to bring it under the terms of the Sherman Act.

From this it will be seen that the Court took the position which the defendants had vigorously denounced as untenable, namely that under the Sherman Act the mere acquisition by the Securities Company of the stock of the two roads in question was in itself a contract, combination or trust in restraint of trade among the States. It refused to consider this transaction as the mere preliminary step in an arrangement which might result in restraint, but treated the preliminary act as the thing itself that was prohibited. In other words, it refused to recognize in this particular case, at least, any distinction between that which restrains and that which may result in restraint; between cause and result; between the possession of power and the exercise of power; between actuality and potentiality. In acquiring the power to do the things made unlawful by the Sherman

Act the Securities Company had in effect committed the forbidden act. The acquisition of the power to suppress competition being, in the opinion of the Court, forbidden by the Sherman Act, neither goodness of motive nor proof that there had been no actual restraint could condone the offense.

The contention of the defendants that the Sherman Act was intended to prohibit only those restraints which are unreasonable at common law was also dismissed by the Court as immaterial since this question had already been passed upon by the Court in other cases and was, therefore, *res adjudicata*. To their contention that the Sherman law prohibited only those acts in *direct* and *immediate* restraint, and not such as were merely "incidental to the ownership of property" the Court in effect answered that it had become a settled rule in the interpretation of the Anti-Trust Act that its application was not restricted to those combinations which result or may result in a total suppression of commerce or in a complete monopoly, but included as well those which by their necessary operation tend to restrain or monopolize and to deprive the public of the advantages that flow from free competition.

Taking up the proposition toward which the defendants directed their strongest efforts, namely, that the fundamental question involved in this case was, whether the power of Congress over interstate commerce extends to the regulation of the acquisition, ownership and disposition of stock in railroad corporations created under State law merely by reason of their being engaged in such commerce, the Court undertook to show that such a statement of the issue was wholly misleading and unwarranted; that it was merely setting up men of straw to be easily stricken down; that there was no reason to suppose that Congress had intended to interfere with the ownership and control of stock in State corporations; and that the Court did not understand that the Government had made any such contentions. But, said the Court, the Government does contend that Congress may protect the freedom of interstate commerce by any means that are appropriate and not prohibited by the Constitution and that no State corporation can stand in the way of the enforcement of the national will, legally expressed, by projecting its authority across the continent into other States. It was not so much a question of whether Congress may control State

corporations as a question of whether State corporations may control Congress by interposing obstacles in the way of the exercise of its Constitutional powers. To admit that a State may endow one of its corporations with authority to restrain interstate commerce was to say that Congress, in exercising its power to regulate such commerce, must act in subordination to the will of the States when exerting their power to create corporations. No such view, said the Court, could be entertained for a moment. So far as the Constitution of the United States was concerned, said the Court, the States may create corporations of every kind, authorize them to engage in commerce, foreign as well as domestic, regulate all the incidents of corporate existence to the exclusion of the power of Congress, but they cannot empower any person, corporation or combination to defeat the will of the United States expressed through its Constitution and the laws passed in pursuance thereof.

To avoid the appearance of imputing to the State of New Jersey conscious intent to endow the Northern Securities Company with power to violate the Sherman Act the Court took occasion to say in passing that nothing in the record tended to show that the authorities of New Jersey had any reason to suspect that those who took advantage of its liberal incorporation laws had in view a purpose to destroy competition between two great railway carriers engaged in interstate commerce in distant States of the Union. The contention of the defendants that the Securities Company was not a railroad corporation, but an *investment* company, and that the transaction complained of imported simply an investment in the stock of other corporations, the Court seemed to think was not seriously made. This view was declared to be wholly fallacious and inconsistent with the actual facts, since there was no actual investment whatever there may have been in form.

The Northern Securities Company, the Court intimated, was not organized in good faith, but was merely a *contrivance*, a custodian or trustee for affecting indirectly a purpose which could not be accomplished directly. The suggestion of counsel for defense that no effective relief could be granted, since the alleged combination had accomplished its object before the commencement of the suit, the Court likewise treated as unworthy of more than a passing notice. It would be a novel, not to say absurd, interpretation of

the Anti-Trust Act, it was asserted, to hold that after an unlawful combination had been formed and had acquired the power to restrain commerce by suppressing competition and was proceeding to use that power, it should be left in possession of such power with unobstructed freedom to exercise it.

The many suggestions made in the course of the arguments that an interpretation of the Anti-Trust Act in accordance with the views of the government would seriously interfere with legitimate business interests and work widespread financial ruin were treated by the Court as gratuitous assertions. Such predictions had been made by the defendants in all the preceding cases arising under the Act and in no instance had they been verified. They were, therefore, entitled to no weight in the decision of the present case. The judgment of the Circuit Court of Appeals was, therefore, confirmed.

Mr. Justice Brewer, while concurring in the judgment, felt constrained to reject some of the reasons on which it was sustained for fear, as he said, "that the broad and sweeping language of the Court might tend to unsettle legitimate business enterprises, encourage improper disregard of reasonable contracts and invite unnecessary litigation." Instead of holding that the Anti-Trust Act included all contracts in restraint of trade, reasonable or unreasonable, the ruling, he said, "should have been that the contracts involved in this case were unreasonable restraints of interstate trade and, as such, were within the scope of the Act." He based this opinion on the language of the title of the Act which showed that it was directed only against "unlawful restraints and monopolies" which, according to a long course of decisions at common law had reference to unreasonable restraints and not those "minor contracts in practical restraint of trade" which had always been upheld as reasonable. His idea was that there being no national common law Congress intended merely to engraft upon the jurisprudence of the United States that well understood part of the common law which related to monopolies and combinations in restraint of trade; and, unless it clearly appeared from the language of the Act that a departure from the rules and definitions of the common law was intended, no such purpose should be construed. Furthermore, he expressed the opinion that the general language of the Act was limited by the

inalienable right of the individual to manage his own property and make such investments as his judgment dictated. Applying this principle to the present case, he asserted that had Mr. Hill owned a majority of stock of the Great Northern Railway Co. he could not by any Act of Congress be deprived of the right of investing his surplus capital in the purchase of Northern Pacific stock, although such purchase might give him control over both companies. That is, he should have the same right to purchase Northern Pacific stock which all other citizens have. In other words it was his idea that to be an unlawful restraint under the Sherman Act, there must be a combination of two or more persons; restraint, however great, by a single individual if the result of the exercise of his right of investment could not be objectionable. It is respectfully submitted that this view is not justified by a reasonable interpretation of that part of the Sherman Act which relates to monopolies.

However, the opinion of Justice Brewer on this point was *obiter*, as the right of a single individual to invest his means according to his own will was not presented in this case. Here was a combination of individuals, and the prohibition of such a combination, he admitted, was not at all inconsistent with the right of an individual to purchase the stock of a corporation.

The views of the dissenting Justices were expressed in two separate opinions, one written by Justice White, the other by Justice Holmes. Justice White laid down the proposition that the fundamental question involved in the case was, whether Congress has power to regulate the acquisition and ownership of property in State corporations, and on this he wrote a long, ingenious, and, it must be admitted, able argument. It is submitted, however, with all due deference, that his premise was wholly erroneous, being due to a mental confusion of the right of the individual to acquire and own property with his right to enter into a combination for the purpose of violating a law of the United States. With such a premise it was not difficult to prove his point and he did so effectively. His opinion contained some extreme propositions and sweeping assertions, rather notable as effective displays of rhetoric than as logical deductions from the real question decided. Such was the statement that the contention of the majority was "absolutely destructive" of the reserved rights of the States and that upon

the ruins of the Federal system would be erected a government "endowed with arbitrary power to disregard the great guaranty of life, liberty and property and every other safeguard upon which organized civil society depends."

Justice Holmes addressed himself mainly to the question of whether, conceding the power of Congress in the premises, the Sherman Act applied to the present case. His argument against the contention of the majority on this point was, first, that the Sherman Act is a criminal statute and should not be construed to punish acts which have always been lawful unless it expressed its intent in clear and unmistakable language. The present act, he said, should be read as if the question were whether two small exporting grocers should be sent to jail. In the second place, he contended that the forbidden contracts and combinations in restraint of trade were those dealt with and defined by the common law. Contracts in restraint of trade at common law were contracts with a *stranger* for the purpose of restricting the freedom of the contractor; combinations in restraint of trade were those formed with a view of keeping strangers to the agreement out of the business. In the present case there was no attempt to exclude strangers to the combination from competing in the business which it carried on. The Sherman Act, he declared, was not aimed at community of interest arrangements, but was intended to prohibit contracts with a stranger to the defendants' business, such as that involved in the Trans-Missouri Freight Association. Thirdly, to say that "every contract in restraint of trade" and "every attempt to monopolize any part" of interstate commerce was punishable would, he said, send to prison the members of every partnership and the owners of practically every railroad, for there was hardly one that did not monopolize, in a popular sense, some part of interstate commerce. Such a view could have no other effect than to make eternal the *bellum omnium contra omnes* and disintegrate society so far as it could into individual atoms.

IV. The Problem of Readjustment.

The decree of the Circuit Court, as affirmed by the Supreme Court, did not work a dissolution of the Northern Securities Company, did not, in fact, affect its legal status in the least, but only enjoined it from acquiring further stock or from voting that which it had

already acquired, or from exercising any control over either road; nor did it have any perceptible effect on the price of Northern Securities stock. Within a week after the decision its shares had risen eight points in the market. The decree did not, as was generally reported, command the return to the original stockholders of the two roads of the shares transferred by them to the Securities Company in exchange for its stock, but merely directed that nothing contained in the decree should be construed as prohibiting such return. That is to say, the decree was permissive rather than mandatory so far as the question of the return of the stock was concerned.

As the two railroad companies, however, were enjoined from paying dividends to the Securities Company on the stock which it had acquired from them nothing was left but to return it or suffer the loss of dividends. On March 22d, following the decision of the Supreme Court, a circular letter was sent to the stockholders announcing that the Directors had decided to continue the existence of the Company but to reduce its capital stock by 99 per cent., the remaining 1 per cent., amounting to about $4,000,000 and consisting of securities other than Northern Pacific or Great Northern stock was to be retained until it should be decided to wind up the affairs of the Company.

The 99 per cent. representing stock acquired from the Great Northern and Northern Pacific railroads was to be returned to those who had given it in exchange for Northern Securities stock. This could be done in either of two ways, namely, by a *pro rata* method, each shareholder receiving back an equivalent of his Northern Securities holdings in the stock of both roads, or by returning to each shareholder the original stock held by him in one road. The Hill-Morgan interests adopted the first method. Figured on the basis of 180 for Great Northern and 115 for Northern Pacific each holder of one share of Northern Securities Stock would get back $39.27 of Northern Pacific stock and $30.15 of Great Northern stock. This would amount in effect, not to a restoration of the *status quo ante*, but a redistribution, the effect of which would be to give each original owner of stock in one road a joint interest in both roads. The far-reaching consequences to the Harriman holders of this method of redistribution were soon apparent. It will be remembered that at the time of the formation of the Northern Securities Company

the Union Pacific interests represented by Mr. Harriman and his associates held a majority of the shares of stock in the Northern Pacific, which shares were acquired by the Northern Securities Company under circumstances which have already been described in the early part of this article. By the methods of redistribution proposed the Harriman interests instead of getting back their original Northern Pacific shares, and with it their control over the Northern Pacific, would get back a ratable proportion of Great Northern and Northern Pacific stock. This would leave them jointly interested in both roads without a controlling interest in either. At the readjustment conference which followed shortly after the announcement of the Supreme Court, the Harriman representatives protested against the proposed plan of redistribution as an evasion of the true intent of the decree, and being overruled by the Hill-Morgan interests, Mr. Harriman and Mr. Pierce, acting as trustees for the Oregon Short Line, an appendage of the Union Pacific, began, on April 3, proceedings in the United States Circuit Court in St. Paul asking the Court to direct the Northern Securities Company to return to the original shareholders of Northern Pacific stock the shares exchanged by them for Northern Securities stock instead of an equivalent of stock in both roads. The purpose, of course, was to enable the Union Pacific interests to secure control of the Northern Pacific road and was a renewal of the old fight which had been temporarily suspended by the truce resulting from the organization of the Northern Securities Company.

Both parties were represented by an array of counsel which for brilliancy and numbers even exceeded that which appeared in the case before the Supreme Court, and the legal contest which ensued was one of the sharpest of recent years.

The chief contention of the Harriman interests was that the restoration to each shareholder of the original shares which he had exchanged for Northern Securities stock was the most logical and reasonable scheme, and seemed to be most in accord with the decree of the Court and the principles of natural justice. It must be admitted that it looked more nearly to the reestablishment of the *status quo*, which, it would seem, should have been the chief end to be kept in view in effecting the readjustment. Moreover, it was contended that redistribution according to the Hill-Morgan plan

would be merely to continue their control over the Northern Pacific and Great Northern roads which it was the purpose of the decree to prevent.

The contention of the Hill-Morgan shareholders was that the return of the stock on the basis of the plan proposed by the petitioners meant the return to the Harriman people of a majority of the stock of the Northern Pacific Company, the effect of which would be to put in the hands of the Union Pacific Railroad and the Oregon Short Line the absolute control of the Northern Pacific, a parallel and competing line. Furthermore, the right of the petitioners to ask for intervention of this kind was denied. Having participated in the acts of the Northern Securities Company, which had been declared illegal, they now sought from the Court preferential treatment at the expense of the innocent. "The shares Harriman put into this corporation," said Mr. John G. Johnson, of counsel, "have become merged and their identity is lost and who can identify them?" "Are there any other marks on them to show which ones were put in by Harriman?" "There have been 1800 transfers of stock and no one knows where the individual shares are." The United States was not a party in this suit but through the Attorney-General interposed an objection against the right of the Court to intervene, stating that it neither admitted nor denied the allegations of the petition but stood on the decree as affirmed by the Supreme Court and was only concerned to see that it was faithfully observed by the defendants according to its terms.

The Court refused to intervene in the matter, chiefly on the ground, as reported, that the decree was wholly prohibitory, only enjoining certain things to be done, viz.: the voting of stock and the acceptance of dividends, and so long as these things were not done, further action by the United States was unnecessary. That is to say, the Circuit Court was concerned only with the observance of the decree and not with the manner of the distribution of property among its stockholders. It being intimated that this was a matter within the jurisdiction of the Courts of New Jersey no time was lost by those concerned in resorting thereto, and application for an injunction to prevent the execution of the Hill-Morgan scheme of distribution was filed before Vice-Chancellor Bergen at Jersey City by the Continental Securities Company.

Whether in instituting these proceedings it was acting for the Harriman interests it is not quite clear; at least the latter disclaimed any knowledge of the suit. On April 25th, the application for the injunction was denied. Resort was then had to the United States Circuit Court for the District of New Jersey, and Harriman, Pierce and others secured a temporary injunction restraining the Northern Securities Company from carrying out its proposed distribution.

In the latter part of May elaborate arguments by distinguished counsel were heard by Judge Bradford on the application of the petitioners to have the injunction made permanent, but at the time this article went to press no decision had been rendered.

V. Conclusions.

The following observations and conclusions, based on a careful study of the various Federal cases arising under the Anti-Trust Act, and particularly the recent decision of the Supreme Court, are respectfully submitted:

First. That Congress by virtue of its power to regulate foreign and interstate commerce may forbid transactions of purchase and sale when in its judgment the result of such transactions is to confer upon two or more persons the *power* to destroy competition between competing railroads. In the exercise of this power it is immaterial whether the forbidden transactions are expressly authorized by State law or not, or whether the property involved is the stock of railroads engaged wholly in interstate commerce or not, or whether the said railroad companies are incorporated under the laws of the United States or of a State. Likewise it is immaterial whether the intent of the transaction is to restrain commerce or to create and develop new commerce, or whether the power to restrain is exercised or not, or whether if exercised the resulting restraint is reasonable or unreasonable, or whether direct and immediate or remote and incidental.

Second. The decision of the Court does not sustain, as is often asserted, the contention that Congress may regulate the acquisition, ownership and disposition of property of State corporations or any of the incidents relating thereto. What it does hold is that no State by virtue of its power to create corporations and regulate the

acquisition and ownership of property may endow any person or corporation with power to interpose obstacles in the way of free trade among the States.

Third. The Anti-Trust Act should not be interpreted as forbidding those reasonable restraints which were never objectionable at common law. In fact, it would seem as if a majority of the Court have come around to this view. But as the contrary interpretation stands as the law, Congress should amend the Act so as to restrict its application to unreasonable restraints. Early in the last session of Congress Senator Foraker proposed an amendment with this end in view, but it did not meet the approval of the administration and was, therefore, dropped. As the statute is now interpreted, it is too sweeping and if strictly enforced will work injury to legitimate business interests. It is doubtful if the framers intended to enact such a statute and the debates show unmistakably that the members of the Senate Committee on Judiciary, notably Senators Edmunds, Hoar and George, who, perhaps, had as much to do with the framing of the law as any other members, understood that it merely enacted the old doctrine of the common law relating to restraints of trade.

Fourth. The Eastern "mergers," embracing about 85 per cent. of the railway mileage of the United States, will not be disturbed by the Government. This comforting assurance was given by the Attorney-General in an interview following the announcement of the decision of the Supreme Court. He declared that the Government during the prosecution of the Northern Securities Company refused to give any heed to the contention of the defendants that all the railroad "mergers" in the country were on trial, but insisted that it was the validity of the Northwestern "merger" only that was in issue. Having succeeded in suppressing this one the Government did not propose to run amuck. No explanation was given why this particular one was singled out for prosecution and the others allowed to go free.

Fifth. The refusal of the Circuit Court to intervene in the Hill-Morgan scheme for redistributing the shares originally given in exchange for Northern Securities stock leaves the Northern Pacific road in the hands of Mr. Hill and his friends.

It thus happens that although the original act of the Northern Securities Company has been virtually suppressed, the "community of

interest" arrangement which the Securities Company was designed to protect, still survives. It is, therefore, questionable whether after all anything of permanent value has been gained by the prosecution and the resulting decree of the Court.

IV. The Immigration Problem

Problems of Immigration

By Honorable Frank P. Sargent, United States Commissioner of Immigration

PROBLEMS OF IMMIGRATION

By Honorable Frank P. Sargent,
United States Commissioner of Immigration

No question of public policy is of greater importance or affects so closely the interests of the people of this country for the time present and to come as that of immigration. It presents both a practical and a sentimental side. It cannot be dealt with as other public issues. It does not deal with the question of revenue. Its subjects are not inanimate like merchandise; they are human beings. They have aspirations, hopes, fears and frailties. The methods by which other laws are administered cannot, with regard to such a subject, be resorted to in the enforcement of the immigration laws. These laws, be it remembered, with one exception, are not laws of exclusion, but laws of selection. They do not shut out the able-bodied, law-abiding and thrifty alien who seeks to make a home among us, and to help at once his individual condition and the welfare of his adopted country. To such it is the part both of policy and good government, as well as of justice and fair play, to extend the hand of welcome. But it has long since been learned in the school of practical experience that the universal welcome which should be extended by a free people to those of oppressed nations, should be restrained by considerations of prudence and a regard for the safety and well-being of the country itself. Hence it has become an established principle of this Government to frown upon the efforts of foreign countries and of interested individuals and corporations to bring to the United States, to become burdens thereupon, the indigent, the morally depraved, the physically and mentally diseased, the shiftless, and all those who are induced to leave their own country, not by their own independent volition and their own natural ambition to seek a larger and more promising field of individual enterprise, but by some selfish scheme, devised either to take undue advantage of some classes of our own people, or for other improper purpose. That such a policy is a wise one, as well as obligatory upon the Govern-

ment of this great country, is too obvious to require elaborate argument.

The total estimated alien immigration to the United States, from 1776 to 1820 was 250,000. The arrivals, tabulated by years, from 1820 to 1903, aggregate 21,092,614, distributed among the foreign countries as follows:

Netherlands	138,298
France	409,320
Switzerland	211,007
Scandinavia, which includes Denmark, Norway and Sweden	1,610,001
Italy	1,585,477
Germany	5,100,138
Austria-Hungary	1,518,582
United Kingdom (Great Britain and Ireland)	7,061,710
Russia	1,122,591
Japan	64,313
China	288,398
Other countries such as Roumania, Greece, Turkey, Portugal and Poland	1,984,779

The total number of arrivals for the fiscal year ending June 30th, 1903, was 857,046, divided as follows:

Netherlands	3,998
France	5,578
Switzerland	3,983
Scandinavia	77,647
Italy	230,622
Germany	40,086
Austria-Hungary	206,011
United Kingdom (Great Britain and Ireland)	68,947
Russia	136,093
Japan	19,988
Other countries, such as Roumania, Greece, Turkey, Portugal and Poland	64,113

This is the greatest number that ever applied for admission in a single year. The nearest approach to this was in 1882, when 789,000 were admitted.

The character of the arriving aliens, however, during the past years differs greatly from that of 1882 and the years previous. Since the foundation of our Government until within the past fifteen years practically all of the immigrants came from Great Britain and Ireland, Germany and the Scandinavian countries and were very

largely of Teutonic stock, with a large percentage of Celtic. Fifteen millions of them have made their homes with us. In fact, they have been the pathfinders in the West and Northwest. They are an intelligent, industrious and sturdy people. They have contributed largely to the development of our country and its resources, and to them is due, in a great measure, the high standard of American citizenship.

The character of our immigration has now changed. During the past fifteen years we have been receiving a very undesirable class from Southern and Eastern Europe, which has taken the place of the Teutons and Celts. During the past fiscal year nearly 600,000 of these have been landed on our shores, constituting nearly 70 per cent. of the entire immigration for that year. Instead of going to those sections where there is a sore need for farm labor, they congregate in the larger cities mostly along the Atlantic seaboard, where they constitute a dangerous and unwholesome element of our population.

About 50 per cent. of the 196,000 aliens who came from Southern Italy during the past year were unable to read or write any language, and the rate of illiteracy among the rest of these Mediterranean and Slavic immigrants ranges from 20 per cent. to 70 per cent., while among the Teutonic and Celtic races the rate of illiteracy is less than 1 per cent. to 4 per cent. This change which has taken place during the past fifteen years has resulted in raising the average of illiteracy of all aliens from about 5 per cent. in former years to 25 per cent. at the present time.

What I desire, however, to call attention to, I have already indicated, and that is that in the enforcement of the immigration laws, since the subjects thereof are human beings, the treatment is two-sided. One-half of the work incumbent upon the Government has been done when those whose presence would militate against the interests of the people of this country have been detected and returned to their homes. Under the direction of the Bureau of Immigration all aliens are carefully examined by immigrant inspectors and surgeons of the Marine Hospital Service at the ports of entry for the purpose of rejecting those not admissible under the provisions of the immigration laws. During the past year more than 1 per cent. of those who applied for admission were rejected

and returned to the countries whence they came. The total number thus debarred during the year was 8,769, for the following causes, viz.:

Paupers	5,812
Afflicted with a loathsome or a dangerous contagious disease	1,773
Contract laborers	1,086
Convicts	51
For all other causes	47

In addition thereto 547 were deported who were found to be in the United States in violation of law.

There still remains the larger question, the question that more individually and vitally affects the interests of our people. What shall we do with the thousands that are admitted? Shall they be allowed to form alien colonies in our great cities, there to maintain the false ideals and to propagate the lawless views born thereof as the result of their experience—foreign not alone from their origin geographically, but foreign as well to this country in their ideals of human liberty and individual rights? To answer this question affirmatively is simply to transfer the evils which may be admitted to exist in foreign countries to our own shores. Immigration left thus is a menace to the peace, good order and stability of American institutions, a menace which will grow and increase with the generations and finally burst forth in anarchy and disorder. It is thus necessary, as a measure of public security, to devise and put in force some means by which alien arrivals may be distributed throughout this country and thus afforded the opportunities by honest industry of securing homes for themselves and their children, the possession of which transforms radical thinkers into conservative workers and makes all that which threatens the welfare of the commonwealth a means to preserve its security and permanency.

The Department of Commerce and Labor, through the Bureau of Immigration, should, in my judgment, furnish information to all desirable aliens as to the best localities for the profitable means of earning a livelihood, either as settlers, tradesmen or laborers. The States and Territories which need immigration should file with the Department such evidence of the advantages offered to aliens to settle in localities where conditions are favorable, so that the tide of immigration will be directed to the open and sparsely settled country. That the Bureau of Immigration should be the

medium of distributing the aliens is to my mind as much of a duty as it is to decide to whom the right to enter shall be given.

There are confined in the penal, reformatory and charitable institutions of the eleven States from Maine to Maryland, including Delaware, 28,135 aliens. The Irish, Slavs, Germans, Italians and English make up 85 per cent. of the total. There are 9,390 Irish; 5,372 Slavic; 4,426 Germans; 2,623 Italians, and 2,622 English. In the State of Pennsylvania there are 5,601 aliens confined in these institutions, 90 per cent. of whom are of the same five races in the following numbers: 1,772 Slavic; 1,218 Irish; 1,078 Germans; 673 Italians, and 423 English.

As I have already stated, the question has two sides. The other side is the humanitarian. It refers to the claims upon our consideration of alien arrivals as fellow beings. This side equally demands of a just and humane government the adoption of practical methods for such a distribution of these people as I have already indicated. On their own account, and in consideration of their ignorance and helplessness, they should be taken out of the great centers of population, where restricted space compels them to live together in a very unhealthful and unsanitary condition, and where competition for the means of existence forces them to prey upon each other and upon American citizens engaged in the same pursuits by a system of underbidding for work, a condition which reduces the cost of labor and lowers the standard of living. Such colonization, furthermore, by its consequent disregard of sanitary laws, threatens the physical health of the communities affected.

I cannot, in the brief space at my disposal, do more than merely advert to the principal features of this great governmental policy regulating immigration, a policy whose administration, to some extent, has been confided to my hands. I feel with every day of added experience the gravity of the interests involved, and that it calls for all that is best and highest in ability and moral stamina to accomplish the best results. It would be impossible for any right-minded man—it certainly has been to me—to undertake such a task without soon learning how much it exacts. In every moment of doubt or uncertainty, however, I have endeavored to be governed by that fundamental principle of our Government

which recognizes the sacredness of right and individual opportunity, whether the person affected has fortunately been born under the shadow of the stars and stripes, or whether, when the opportunity comes to him to exercise his own volition in selecting a home for himself and his children, he seeks that protection. Exact justice to all, irrespective of present or previous condition, is the rule by which I have endeavored to enforce the immigration laws, bearing in mind always that in any conflict of interests between my own people and those of other countries my primary duty is so to act that the balance will incline in favor of the citizens of this country, in whose service I am employed.

The Diffusion of Immigration

By Eliot Norton, Esq., New York City

THE DIFFUSION OF IMMIGRATION

By Eliot Norton, Esq.,
Of New York City

Since January of 1850 to July of 1903, 18,998,383, or say nineteen million immigrants have come to this country, which gives an average of just about three hundred and fifty-five thousand a year for this period of fifty-three years and a half. Apart from this average, and taking the year from July 1st, 1902, to July 1st, 1903, by itself, the enormous number of eight hundred and fifty thousand, in round numbers, was reached. In the previous twelve months there had been, in round numbers, six hundred and forty thousand.

It is impossible to say whether these great figures will be kept up. A falling off from certain countries is sure to happen. Italy cannot continue for long to send us the number that she has been doing —over two hundred thousand last year. But whether the decreases that there may be from some countries will not be made up by increases from others is a question which does not permit of any absolute solution. Still it seems reasonably safe to prophesy that the yearly average of three hundred and fifty-five thousand will be kept up for another generation. In round numbers this will mean a total of thirteen millions of immigrants in the next thirty-six years. And judging from the records of the past about seven-eighths of these immigrants will be between fourteen and forty-five years old. About two-thirds of them will be very poor, and will have less than thirty dollars of money apiece. And the average of ignorance will be high; at least a fifth will not know how to read or write, while scarcely any will have the simple education that a boy or girl can get at the common schools in this country.

Whether this coming immigration will be of advantage to this country is not an easy question to answer. It is clear that our material development would have been slower had the large immigration of the past fifty years not occurred. Assuming that there is still enormous material development to be made, which is

quite certain, and assuming that to do so *rapidly* is of benefit (which I think is doubtful), then the coming immigration will be of benefit. No other way in which this immigration will be of benefit suggests itself to me.

Does this immigration bring with it dangers to this country? This I think can be easily answered in the affirmative. We are trying to govern a great territory with a large population by a system of government which demands as a prerequisite for continued success, certain political and moral beliefs, and an intelligent interest on the part of its inhabitants in public affairs. It is not sufficient to have a Constitution and members of legislatures. It is necessary that the moral and political truths which underlie that Constitution be commonly understood and highly valued. It is also necessary that legislators should be the political representatives of a people who, however divided by party politics, are united in an intelligent effort to realize in their government these moral and political conceptions; and that as such representatives they should at all times be animated by these truths and should try to embody them in practical legislation.

The introduction of nineteen millions of immigrants in the past fifty years who were wholly ignorant of our political notions has lowered the average political intelligence of the country, and by so far affected representative government to its detriment. This can be readily seen in some of our cities where great numbers of immigrants have collected, and where their political influence is most strongly felt. Here a representative and republican government no longer exists except in name and outward form. Tammany Hall is not the kind of government that this country was founded to give its inhabitants. And if its defense is that it is a government such as the majority of the people of New York are pleased with, then we see the absence in that majority of the moral and political conceptions necessary to sustain a republican form of government. We can see the same effects to a greater or less extent elsewhere; and as immigrants continue to come over, all of whom are ignorant of the political and moral truths which underlie our form of government, we are likely to see them increase. If there were only enough of such immigrants they would tolerate a mild tyrant in the White House as they do a mild city boss.

There is another danger I wish to mention. If one considers the American people from say 1775 to 1860, it is clear that a well-defined national character was in process of formation. What variations there were, were all of the same type and these variations would have slowly grown less and less marked. It needs little study to see of what great value to any body of men, women and children a national or racial type is. It furnishes a standard of conduct by which any one can set his course. The world is a difficult place in which to live, and to establish moral standards has been one of the chief occupations of mankind. Without such standards man feels as a mariner without a compass. Religious rules, laws and customs are only the national character in the form of standards of conduct. Now national character can only be formed in a population which is stable. The repeated introduction into a body of men of other men of different type or types cannot but tend to prevent its formation. Thus the nineteen millions of immigrants that have landed have tended to break up the type which was forming and to make the formation of any other type difficult. Every million more will only intensify this result, and the absence of a national character is a loss to every man, woman and child. It will show itself in our religions, rules of conduct, in our laws, in our customs.

These and other dangers which various observers have noted have led to some agitation for the passing of laws that would restrict immigration. Now to restrict immigration by a few thousand would not be of any particular value, and none of the laws which have been so far suggested would have a greater effect than this. There is no likelihood that any law could be passed that would materially reduce immigration—say cut it down one-half or even one-third—and before such a law could be passed a great many very intelligent and influential people would have to be convinced that the cutting down of our immigration would not be a detriment to this country. Personally I believe that these people in all good faith lose sight of the sure and lasting benefit through fear of a possible detriment.

We must therefore consider how to minimize the dangers of a yearly immigration of not less than three hundred and fifty thousand poor and ignorant people for an indefinite period. It is obvious that

the dangers which the immigration of the past has contained have been minimized by the great size of the country and the scattering of the immigrants over it. They are found in every State, from Maine to California, from Canada to the Gulf. This has enabled them to be brought in contact with the native born, and both have been modified by the process. The result has not been in any proper sense of the word "assimilation," but whenever immigrants have been diffused they have rapidly been educated so as to get along with the native American.

But this natural diffusion is ceasing, and we not only find that immigrants tend naturally to the cities but when there form colonies, so that we have "little Germanies," "little Hungaries," and "little Italies," and "Syrian colonies" and "Jewish colonies."

These colonies tend to perpetuate among the immigrants that ignorance of our laws, customs and political and moral notions that is one of their great dangers. Nor so long as they are denizens of these colonies do they in any sense of the word become Americans. They remain Italians, Germans, Russians and Hungarians. Obviously so long as immigration continues these colonies will tend to grow, and by their growth magnify the dangers already mentioned.

Since we cannot depend on the immigrants to scatter, means must be taken to diffuse them throughout the country and to localize them away from the great cities.

It might be supposed that this would be a very difficult thing to accomplish; it would be so if the immigrant himself objected, but for the most part the immigrant does not object provided certain requirements are met with. These requirements are as follows:

First. The place where the immigrant is to be located must be one where the climate is about such as he has been accustomed to, for otherwise he would immediately be dissatisfied and would drift to the cities.

Second. He must be assured of a reasonable livelihood in excess of what he would earn in his own country. He has come to this country because he thinks it is easy to make money, and, relatively to what he makes abroad, it is easy; consequently his hopes and expectations must be sustained.

Third. He must have his railroad fare paid to his destination, for he usually does not have the money to do so himself.

Fourth. The immigrant must not be wholly solitary; if he is set down in no matter how good a place to earn his livelihood, in no matter how pleasing a climate, he will be uncomfortable and tend to move away unless he can have a few of his own countrymen within comparatively easy reach.

These four requisites are easy to arrange for. Good management, a comparatively small fund of money, and an intelligent understanding of the immigrant are all that are needed.

There is a fifth and last requisite, to wit:

He must be protected both as regards a shelter over his head and food enough to eat while getting settled and until his livelihood begins coming in. This is not a serious matter where his livelihood begins shortly after arrival, but where he is expected to make it out of the earth, which will be the common case, he, and his family, if he has one, must be looked out for until the crop is sown and harvested, a period of not less than six months.

There are many land owners who will furnish immigrants with houses and will make very satisfactory terms with them for the use or ownership of land, but the keeping the immigrant and his family until the first harvest comes in is the difficulty in most cases. To overcome this obstacle a large fund is needed. Unless such a fund is raised little or nothing can be done. An excellent example of such a fund confined in its use to a particular race is seen in the Hirsch endowment and the colonization plans which have been carried out so satisfactorily in connection with this fund. The Salvation Army has also various schemes of colonization, but their desire to get the government to back them with its money seems to me a mistake. The Society for the Protection of Italian Immigrants is trying to raise the necessary funds to establish large and small colonies of Italians.

These are the only efforts that I know of which are being made to diminish the damages attendant upon our large immigration by scattering the immigrants and getting them to settle away from the cities.

Selection of Immigration

By Prescott F. Hall, Secretary of the Immigration Restriction League, Boston, Mass.

SELECTION OF IMMIGRATION

By Prescott F. Hall
Secretary of the Immigration Restriction League

The two factors of race migration and race survival have had most potent effects upon the world's history. But, while these factors are conspicuous when we look backward through the centuries, we often fail to appreciate the importance of their influence in the immediate past and in the present. The immigration question in this country has never had the attention paid to it which its importance entitles it, but has been sometimes the scapegoat of religious and racial prejudices, and always in recent years an annual sacrifice to the gods of transportation.

The causes of such indifference are not far to seek. In the early days of this country the people were busy with other matters. Immigration was small, and not especially objectionable in quality. Later, the doctrines of the *laissez faire* school, and the obviously narrow and prejudiced theories of the Know Nothing movement, helped to continue the existing status of free movement. More recently, a misapprehension of the doctrine of "survival of the fittest" has led many intelligent citizens to adopt an easy-going optimism, in many respects kindred to the benumbing fatalism of Oriental peoples. This misapprehension is caused by the fact that the doctrine of the "survival of the fittest" is usually stated in a catchy and condensed formula, with the authority of modern science, and accepted without critical understanding. The doctrine is that the fittest survive; fittest for what? The fittest *to survive in the particular environment in which the organisms are placed.* The only teleological valuation in this formula is the almost mechanical one of survival in time. Those who survive need not be the fittest for any other purpose whatsoever, except the continuation of life and reproduction. Were the citizens of the Netherlands inferior to the soldiers of Alva, or many of the victims of the French Revolution to those who slew them? Were the Polish patriots inferior to their Russian conquerors, or are the Finns inferior to those who are now

engaged in taking away their constitutional rights? Yes, but only in the matter of survival in time. But if the duration of human life on this earth is limited, as we are told it is by the same scientists who lay stress upon the "survival of the fittest," the mere success in duration for any race seems of no great value in itself, and may it not be worth while to consider other valuations as we go along, so that the whole world history shall be as valuable as possible from all points of view?

I have dwelt on this point because, while the value of artificial selection in breeding animals, in producing seedless fruits and new grains, in fact in nearly every department of life, is now generally recognized; and while some advanced persons are talking of regulating marriage with a view to the elimination of those unfit *for other purposes than mere survival;* yet most people fail to realize that here in the United States we have a unique opportunity, through our power to regulate immigration, of exercising artificial selection upon an enormous scale. What warrant have we for supposing that the Divine Power behind things does not intend human reason to be applied to these matters as well as hunger, steam, steel, and the lust for gold?

In such cases as the present an appeal is usually made to the fathers of the Republic, and to the argument that they recognized the right of every human being to migrate wherever he chose, and to produce as many children as he pleased, and, in general, to pursue happiness by living the kind of life that suited him. However the fathers may have been influenced by the French political theories of their time, they were practical men with much common sense, and it is by no means certain that if they were present to-day, the vastly changed conditions would not lead them to hold the views of the present article. Washington writing to John Adams in 1794, said:

> "My opinion with respect to immigration is that except of useful mechanics and some particular descriptions of men and professions, there is no need of encouragement, while the policy or advantage of its taking place in a body (I mean the settling of them in a body) may be much questioned; for by so doing they retain the language, habits and principles, good or bad, which they bring with them."

Can there be any question how Washington would feel about

excluding the thousands of immigrants who have recently come to create and to occupy the slum districts of our Northern and Eastern cities?

But even the prophetic vision of Washington could not possibly have seen the unparalleled change in the conditions of immigration from his day to ours. From 1821, when statistics were first kept, to 1900, a total of 19,115,221 immigrants has come to our shores; and the annual immigration has increased from 9,127 in 1821 to 857,046 in 1903. The modern immigration problem, however, dates from 1870; and it is necessary to emphasize this point because much of what is said in recent discussion ignores the profound change which has taken place in the character of immigration since that date. It may be frankly admitted that this country owes a large share of its development, its wealth, its power and its ideals, to the early immigration as well as to the best part of the later immigration; but any arguments based upon the effects of early immigration cannot be applied to the new comers as self-evident truths, for the data are by no means the same.

However much social prejudice there may have been against the Irish and German immigrants of the forties and fifties, and while even that immigration tended to diminish the native stock as I shall show later, it still remains true that prior to 1870 immigration was chiefly of races kindred in habits, institutions and traditions to the original colonists. Mr. Lodge said upon this point in addressing the Senate, March 16, 1896:

"It will be observed that with the exception of the Huguenot French, who formed but a small percentage of the total population, the people of the thirteen colonies were all of the same original race stocks. The Dutch, the Swedes and the Germans were simply blended with the English-speaking people, who like them were descended from the Germanic tribes whom Cæsar fought and Tacitus described. During the present century, down to 1875, there have been three large migrations to this country in addition to the always steady stream from Great Britain; one came from Ireland about the middle of the century, and somewhat later one from Germany, and one from Scandinavia, in which is included Sweden, Denmark and Norway. The Irish, although of a different race stock originally, have been closely associated with the English-speaking people for nearly a thousand years. They speak the same language, and during that long period the two races have lived side by side and to some extent have intermarried. The Germans and Scandinavians are again people of the same race stock as the English who built up the colonies. During this century then, down to 1875, as

in the two which preceded it, there had been scarcely any immigration to this country except from kindred or allied races, and no other which was sufficiently numerous to have produced any effect on the national characteristics, or to be taken into account here."

How marked the change in nationality has been since 1869 is shown by the fact that in 1869 less than 1 per cent. of the total immigration came from Austria-Hungary, Italy, Poland and Russia, while in 1902 there were over 70 per cent.; on the other hand, in 1869, nearly three-quarters of the total immigration came from the United Kingdom, France, Germany and Scandinavia, while in 1902, only one-fifth was from those countries. Or, to put it in another way: in 1869 the immigrants from Austria-Hungary, Italy, Poland and Russia were about one one-hundredth of the number from the United Kingdom, France, Germany and Scandinavia; in 1880, about one-tenth; in 1894, nearly equal to it; in 1902 three and one-half times as great. In 1903 the largest element in immigration was the South Italian with 196,117 souls, and the next largest was the Polish, with 82,343.

It does not, therefore, at all follow that because this country has been able to assimilate large numbers of kindred races in the past, it can in the future assimilate vastly larger numbers of races alien in customs, traditions and ideals. Immigration in 1903 amounted to over 850,000 persons. In 1923 or 1943 it may be two million a year, and the mere fact that the two million may bear no larger proportion to the total population of that day than the immigration did to the population in 1870 is no guaranty of our power of assimilating such a number of such races, especially when our total population will contain such a large proportion of these very races which are difficult of assimilation. Within the last year or two there has been a marked increase in the number of sailings from Europe, and especially from the Mediterranean ports. Recently, the White Star Line has established a Mediterranean service, the Cunard Line has a guaranty of 30,000 emigrants per year from Austria-Hungary, and a new line has been established between Odessa and New York; also the steamers which formerly ran between Austria and Central America now are to run to New York. There are increased sailings of the North German Lloyd and Hamburg-American lines, and the size of all new vessels has enormously increased. All these steam-

ship lines are in the business for profit, and immigrants, who require no loading and unloading, are by far the most profitable cargo. The thousands of agents of these lines all over Europe, Asia Minor and Northern Africa are bound to create all the business they can for their respective lines, and naturally they are concerned only with the selection of such applicants for tickets as will not certainly be rejected under the laws of this country.

The influence of these conditions upon the quality of immigration has been forcibly expressed by General Francis A. Walker, formerly Superintendent of the Census, as follows:

"Fifty, even thirty, years ago, there was a rightful presumption regarding the average immigrant that he was among the most enterprising, thrifty, alert, adventurous and courageous, of the community from which he came. It required no small energy, prudence, forethought and pains to conduct the inquiries relating to his migration, to accumulate the necessary means, and to find his way across the Atlantic. To-day the presumption is completely reversed. So thoroughly has the Continent of Europe been crossed by railways, so effectively has the business of emigration there been exploited, so much have the rates of railroad fares and ocean passage been reduced, that it is now among the least thrifty and prosperous members of any European community that the emigration agent finds his best recruiting ground.....Illustrations of the ease and facility with which this Pipe Line Immigration is now carried on might be given in profusion.....Hard times here may momentarily check the flow; but it will not be permanently stopped so long as *any difference of economic level* exists between our population and that of the most degraded communities abroad."

Speaking of the probable effect of recent immigration General Walker continues:

"The entrance into our political, social and industrial life of such vast masses of peasantry, degraded below our utmost conceptions, is a matter which no intelligent patriot can look upon without the gravest apprehension and alarm. These people have no history behind them which is of a nature to give encouragement. They have none of the inherited instincts and tendencies which made it comparatively easy to deal with the immigration of the olden time. They are beaten men from beaten races; representing the worst failures in the struggle for existence. Centuries are against them, as centuries were on the side of those who formerly came to us."

The main point to remember in regard to recent immigration is that much of it is not *voluntary* in any true sense of the term. The limits of this article do not permit a detailed statement of the facts supporting this allegation, but anyone who will read in the

report of the Commissioner-General of Immigration for 1903 the remarks of Special Inspector Marcus Braun, who has just been upon a tour of investigation in Europe, will find abundant evidence. The same thing was brought out in the investigations of our Industrial Commission. The race migration at present going on is not, therefore, even a "natural" movement. It is an artificial selection of many of the worst elements of European and Asiatic populations by the steamship companies.

It is significant that no general immigration legislation was found necessary until some years after the newer kind of immigration had begun to come hither. The first general immigration act was passed in 1882 and imposed a head tax of fifty cents; the contract labor acts were passed to prevent the immigration of the cheapest mining labor in 1885 and 1887; the general law was revised in 1891; an administrative act was passed in 1893; the head tax was raised to one dollar in 1895; and a general codifying act was passed in 1903, raising the head tax to two dollars. These Acts were passed in pursuance of the principle that the nation, as an attribute of its sovereignty or under the commerce clause of the Constitution, has a right to exclude or to expel from its borders any aliens whom it deems to be dangerous to the public welfare. This principle has been sustained by several decisions of the Supreme Court of the United States, the most recent one being in the case of Turner, the Anarchist.

So far from it being an established principle of our country to admit any and all persons desiring to come, it was early recognized that Congress has complete control over this matter, and Congress has established numerous classes of persons to be excluded. (1) An Act of 1862 prohibited the importation of Oriental "coolie" labor, and the later "Chinese Exclusion Acts" have rigorously enforced this principle. The Act of 1875 added (2) convicts, except those guilty of political offenses, and (3) women imported for immoral purposes. The act of 1882 added (4) lunatics, (5) idiots, (6) persons unable to care for themselves without becoming public charges. The Act of 1887 added (7) contract laborers. The Act of 1891 added (8) paupers, (9) persons suffering from loathsome or dangerous contagious diseases, (10) polygamists, (11) "assisted" immigrants, *i. e.*, those whose passage has been paid for by others, unless they

show affirmatively that they are otherwise admissible. The Act of 1903 added (12) epileptics, (13) persons who have been insane within five years previous, (14) professional beggars, (15) anarchists, or persons who believe in or advocate the overthrow by force or violence of the Government of the United States or of all government or of all forms of law, or the assassination of public officials, (16) persons attempting to bring in women for purposes of prostitution, (17) persons deported within a year previous as being contract laborers.

It is apparent that, however formidable the foregoing list of excluded persons looks upon paper, it practically is by no means an adequate protection to the country. Out of the 857,046 immigrants arriving in 1903, only 9,316, or a trifle over one per cent., were debarred or returned within one year after landing. In previous years the percentage has usually been less than this. The theory of the law is that the transportation companies will not sell tickets to persons liable to be excluded, and this undoubtedly keeps some undesirables away. But, after all, the present system of excluded classes utterly fails to attack the main problem of the proper selection of immigrants. In the Report of the Commissioner-General for 1903, the Commissioner at New York speaks of this matter as follows:

"I believe that at least 200,000 (and probably more) aliens came here, who, although they may be able to earn a living, yet are not wanted, will be of no benefit to the country, and will on the contrary be a detriment, because their presence will tend to lower our standards; and if these 200,000 persons could have been induced to stay at home, nobody, not even those clamoring for more labor, would have missed them. Their coming has been of benefit chiefly, if not only, to the transportation companies which brought them here."

It is probable that most citizens would agree on a definition of "undesirable" immigration. At any rate, for the purposes of this paper, I shall call that immigration undesirable which is ignorant of a trade; which is lacking in resources; which has criminal tendencies; which is averse to country life and tends to congregate in the slums of large cities; which has a low standard of living and lacks ambition to seek a better; which fails to assimilate within a reasonable time, and which has no permanent interests in this country.

Now how far does our recent immigration fulfil this definition? It is to be remembered that in 1903 about three-quarters of it came from Southern and Eastern Europe and Asia; 65 per cent. of it

was destined for the four States of Illinois, Massachusetts, New York and Pennsylvania. Over 80 per cent. was totally unskilled or had no occupation at all. On the average, each immigrant had only $19 with him, and many only one or two dollars. Those from Southern and Eastern Europe admitted an illiteracy of 39.7 per cent., as against 3.9 per cent. for those from Northern and Western Europe. The true illiteracy was probably much higher for the former class, as they are known to be coached on this subject in view of the agitation for an illiteracy test, and whenever the writer has made practical examinations of immigrants he has found considerable misrepresentation in this regard. Taking up first the matter of distribution, we see a marked difference between the immigration prior to 1870, which built up the Northwest, and the races which now come to us. The census of 1900 shows that in the 160 principal cities of the country there were only $\frac{1}{5}$ to $\frac{1}{3}$ of the Scandinavians, less than $\frac{1}{2}$ of the British, and about $\frac{1}{2}$ of the Germans, as compared with over $\frac{3}{5}$ of the Irish, Italians and Poles and $\frac{3}{4}$ of the Russian Jews. Of the Poles in Illinois, 91.3 per cent. were in Chicago; in New York State, 75.5 per cent. were in New York City and Buffalo; in Michigan and Wisconsin, over $\frac{1}{2}$ were in Detroit and Milwaukee. Of the Italians in Illinois, 72 per cent. were in Chicago; of those in New York State, 79.8 per cent. were in New York City. Of the Russian Jews in the United States, 71.8 per cent. were in six States, as compared with 54 per cent. in 1890. Of the Russian Jews in Illinois, 84.2 per cent. were in Chicago; of those in New York State, 93.7 per cent. were in New York City; of those in Pennsylvania, 56.8 per cent. were in Philadelphia. Only 3.9 per cent. of the Poles, 4.4 per cent. of the Hungarians and 8.7 per cent. of the Russian Jews live in the Southern or Western States.

The Seventh Special Report of the U. S. Commissioner of Labor shows that Southeastern Europe has furnished three times as many inhabitants as Northwestern Europe to the slums of Baltimore, 19 times as many to the slums of New York, 20 times as many to the slums of Chicago, and 71 times as many to the slums of Philadelphia. In these same slums the illiteracy of Northwestern Europe was 25.5 per cent., that of Southeastern Europe 54.5 per cent. or more than double, while the illiteracy of the native American element in the slums was only 7.4 per cent.

The concentration of these large bodies of ignorant foreigners in the slums of our Eastern cities is a serious matter. Forming racial settlements, they do not tend to assimilate, but, as Washington predicted, keep to their native customs and standards of living. They cannot even read the newspapers, board of health notices and trade journals printed in their own language, and as a necessary consequence are slow to become acquainted with any other standards except those of their immediate neighbors. The census of 1890 seems to show that, taking an equal number of the foreign element and of the native element, the foreigners furnish 1½ times as many criminals, 2⅓ times as many insane, and 3 times as many paupers as the natives. It is not strange that there should be many foreign-born paupers when we consider that the South Italians bring on the average $8.84, the Hebrews, $8.67 and the Poles, $9.94 each, as compared with $41.51 brought by the Scotch, $38.90 brought by the English and $28.78 brought by the Germans. The statistics as to the nationality and parentage of dependents and delinquents in the various States are as yet too incomplete for very accurate conclusions, but it is evident that the present laws do not exclude the unfit. In the final report of the Industrial Commission, p. 967, it is stated that "the second generation, *i. e.*, the native children of foreign parents, furnish the largest proportion of commitments and prisoners of all race elements in the population." According to a recent investigation in New York State there were 13,143 persons of foreign birth in the public institutions of that State. Recent testimony of the New York State Lunacy Commission was to the effect that the State of New York is paying $10,000,000 annually for the support of the alien-born insane alone. Two of the largest hospitals in New York City have been obliged to suspend part of their activities on account of the burden of the foreign patients. The point of this is that things were not thus until the change of nationality took place. One of the managers of the House of Refuge in New York City writes:

"I notice the large number of children that are placed in charitable institutions for no crime or misdemeanor, but to relieve their parents of their support. They are principally from Southern and Eastern Europe."

In 1902 the number of arrests of Greeks in New York City exceeded the entire Greek population of the city for the year 1900;

$\frac{1}{8}$ of the foreign whites in the United States over ten years of age cannot speak English, and of these 89 per cent. are over 20 years of age; that is to say, they are not likely to receive any schooling. Considering New York State alone, these persons who cannot speak English are chiefly Italians, Russian Jews and Austro-Hungarians.

In addition to perpetuating a low standard of living and a willingness to underbid native labor, this ignorance has a bad side politically. On the one hand, it means an indifference to civic matters, and a lack of knowledge of and interest in our institutions; and, on the other hand, it means bad material out of which to make citizens. The average percentage of British, Germanic and Scandinavian aliens among the males of voting age in 1900 was 11.5; of the Slav, Latin and Asiatic aliens, 45.3. Of these aliens, $\frac{7}{10}$ had been in this country long enough to be naturalized. This in the face of the great inducements to naturalization held out by political party leaders, and the fact that many municipalities insist on the employment of citizens only upon public works. It has recently been estimated that there are 50,000 fraudulent naturalization papers held in New York City alone. However this may be, it is evident that many of our present immigrants are not the stuff of which patriots are made. This is a highly dangerous condition in a country where we are once for all committed to the principle of government by force of numbers.

Some persons who are in favor of indiscriminate immigration admit, as indeed they must, the force of facts like those recited above; but they say the whole matter is a question of distribution. Let us get these people out of the cities, they say; let us put them upon the unsettled regions of Texas or Oklahoma, and the results will be very different. In regard to this plan several things may be said. (1) The immigrants will not go there of their own accord, as appears from what has been already said. Most of them cannot afford to go inland if they could. (2) The experience of the Hebrew Charities on a small scale shows that even where colonization is successful—and in many cases it has been an utter failure—it is altogether too expensive to be applied on a large scale. (3) If it could be applied to those already in the city slums, the slums would fill up faster than they could be bailed out, unless we adopt some further regulation of immigration as to newcomers. (4) It is, therefore, proposed to bar

aliens not destined to an interior locality. But it would require a policeman for each immigrant to see that he did not sell his ticket on landing, and that he actually went to his destination. (5) Even if our recent immigrants were able and willing to go to the West and South, *these States do not want them.* In 1896 every one of the associations formed to encourage immigration into the Northwest petitioned Congress for an illiteracy test for immigrants and stated that they did not want Southeastern European immigrants. A Government Commission in 1896 took steps to ascertain the wishes of the States in this matter by communicating with their governors, labor commissioners and other officials. Of 52 replies received all expressed a preference for native born or Northwestern Europeans, chiefly for British, Germans and Scandinavians. There were only two requests for Southeastern Europeans and these were for Italian farmers with money. Within a month the Immigration Restriction League has repeated the experiment of the Government Commission, and the thirty replies received to date are most instructive. Of the States desiring immigrants practically all wish native born, or immigrants from Northern Europe, Britain, Germany and Scandinavia. All are opposed to having the slums of eastern cities dumped upon them. In regard to immigrants not desired, three States desire no immigrants at all; two, no foreign born. Five desire no Southern and Eastern Europeans. Eight wish no illiterates. Of the rest, immigrants settling in cities, the Latin races, persons who cannot speak English, Asiatics, and in general any but the best classes of immigrants, are objected to.

Before considering remedies for the existing state of things, I wish to return to what was said at the outset and to emphasize the most important reason of all for further selection in admitting immigrants. The late Bishop Brooks, who was a large-hearted man if there ever was one, in a public address used these words:

"If the world, in the great march of centuries, is going to be richer for the development of a certain national character, built up by a larger type of manhood here, then for the world's sake, for the sake of every nation that would pour in upon us that which would disturb that development, we have a right to stand guard over it.....We have a right to stand guard over the conditions of that experiment, letting nothing interfere with it, drawing into it the richness which is to come by the entrance of many men from many nations, and they in sympathy with our constitution and laws."

Now in order to develop our institutions in the spirit of those who built them up we must guard our power of assimilation, and not only refuse to take in immigrants whom we cannot assimilate, and refuse to take any immigrants in faster than we can assimilate them, but we must see to it that we ourselves and those whom we assimilate shall continue to exist and to hand on the torch of civilization to worthy successors. All statistical discussions of immigration and its effects are defective in two respects. First, under our census system the children of immigrants are classed as native Americans. Second, no account is taken of the children which are never allowed to be born. In other words, the question is not really between us and the immigrants now coming, but between their children and the children of future immigrants and our children. To put the matter concretely, the greatest danger of unselected immigration is its effect upon the native birth rate.

Take a teacher in New York City with a high standard for himself and his children. He has but two because he cannot give them what he wants to give them in education and the decencies of life. Compare him with a Southern Italian or a Syrian living not a mile away who has ten children, and who brings them up regardless of any high standard of living, any education they get being paid for by other people. Once on a time half of these would have died. Now, with our improved public sanitation, they live. Perhaps, as stated above, some of these children are supported at the public expense until they are able to go into a sweatshop. There can be no doubt which is the higher type of citizen or of family, yet the higher barely tends to perpetuate itself and the lower "survives" to five times the extent of the higher.

Of course the falling of a birthrate may be due to many causes which I have not time here to discuss. But in general it is caused by the desire for the "concentration of advantages," and one of the principal provocatives of this desire is the effects of immigration. Consider for a moment the typical town of a hundred years ago with its relatively homogeneous society. The young men drive the omnibus and tend the store. Everybody knows them, and, while not ranking with the judge, or the parson, or the doctor, they are in general as good as anybody. Now suppose a small factory is started and some of the village girls are employed there. For a time no great

change occurs. Then a number of unskilled immigrants settle in the town. Being unskilled they naturally take up the easiest kind of manual labor. At first they are regarded as curiosities. More come, enough to form a class. They naturally group more or less by themselves. They do not enter into the existing clubs and amusements of the town. After a time they constitute the larger part of the help in the factory. Being poor, they live in the cheapest location and in the most frugal style. The natives gradually withdraw from social contact with them, the girls dislike to work with them in the factory, the boys do not want to be with them in the fields and the mills. After such a caste system invades a town the natives are unwilling to marry, or, if they do marry, to have children, unless they can be sure of enough means to secure employment for their children in an occupation where they will not be classed with the immigrants. The girls no longer go out to service, but go into book-keeping, or certain kinds of stores; and the boys are sent to the High School or, if possible, to college. At any rate, the children of the natives seek only the so-called better grades of employment. After a time there is an invasion of French Canadians or Italians into the town, and the same process tends to operate in the case of the earlier immigrants.

That this is no flight of the imagination but an actual description of what happens is testified by many students of the question. The writer has personally inquired as to the cause of the small families in various parts of our Eastern States and has been repeatedly told by parents that this social reason was the controlling one in their own families. Dr. Roberts and Dr. Warne report the same thing in the mining regions of Pennsylvania. General Walker says:

"The great fact protrudes through all the subsequent history of our population that the more rapidly foreigners came into the United States, the smaller was the rate of increase, not only among the native population of the country as a whole, including the foreigners..... If the foregoing views are true, or contain a considerable degree of truth, foreign immigration into this country has, from the time it assumed large proportions, amounted not to a reenforcement of our population, but to a replacement of native by foreign stock."

The Industrial Commission also says in its report, p. 277:

"It is a hasty assumption which holds that immigration during the nineteenth century has increased the total population."

R. R. Kuczynski has shown that in Massachusetts the foreign born mother has two-thirds more children than the native-born mother, and three-fifths more children living.

Now in many discussions of this question it is said that the natives are displaced by the foreigners, but are "crowded up" into higher occupations. I do not believe that this can be shown to be true, even of the natives in existence at the time the process operates. Some are undoubtedly crowded up, some are crowded out and go elsewhere, many are crowded down and become public charges or tramps. But the main point is that the native children are murdered by never being allowed to come into existence, as surely as if put to death in some older invasion of the Huns and Vandals.

In this question of immigration we are dealing with tremendous social forces operating on a gigantic scale. How careful should we be, then, to turn these forces in the right direction so far as we may guide them. It is no doubt true that hybridization has often produced better stocks than those previously existing; and some infusion of Mediterranean and Alpine blood into the Baltic immigration of the last century may perhaps be a good thing. But if we were trying such an experiment on plants or animals would we not exercise the greatest care to get the best of each stock before mixing them? And has it not been said that human beings are of more value than many sparrows? The success of the American Republic is of more value to the world than the good of a few thousand immigrants, whose places are filled up at home almost before they reach this side of the Atlantic. It is by no means certain that economic reforms would not already have taken place in Europe which have been delayed because those countries have had the safety valve of emigration to the United States, and have thus been able to keep up the frightful pressure of militant taxation in their own domains.

If we are to apply some further method of selection to immigrants, what shall it be? The plan of consular inspection in Europe, once popular, has been declared impracticable by every careful student of the subject. A high headtax might accomplish something, but it is not a discriminating test, and hits the worthy perhaps harder than the unworthy.

Two plans have been suggested. One, more in the nature of a palliative than a cure, is to admit immigrants on a five-year proba-

tion, and to provide that if within five years after landing an immigrant becomes such a person as to be within the classes now excluded by law, whether the causes of his changed condition arose prior or subsequent to his landing, he shall be deported. There are various practical difficulties with such a plan, the chief one being that of identification, but, in view of the decision in the Turner case, such a plan would probably be held to be constitutional.

The other plan is to adopt some more or less arbitrary test, which, while open to theoretical objection—as any practicable test must be—nevertheless will on the whole exclude those people whom we wish excluded. It must be a definite test, because one trouble with the "public charge" clause of the present law, under which most exclusions now occur, is that it is so vague and elastic that it can be interpreted to suit the temper of any of the higher officials who may happen to be charged with the execution of the law. As I have elsewhere repeatedly shown those persons who cannot read in their own language are, *in general*, those who are also ignorant of a trade, who bring little money with them, who settle in the city slums, who have a low standard of living and little ambition to seek a better, and who do not assimilate rapidly or appreciate our institutions. It is not claimed that an illiteracy test is a test of moral character, but it would undoubtedly exclude a good many persons who now fill our prisons and almshouses, and would lessen the burden upon our schools and machinery of justice. In a country having universal suffrage it is also an indispensable requirement for citizenship, and citizenship in its broadest sense means much more than the right to the ballot. The illiteracy test has passed the Senate three times and the House four times in the last eight years. It has been endorsed by several State legislatures, a large proportion of the boards of associated charities of the country, and by numerous intelligent persons familiar with immigration matters, including the State associations for promoting immigration above referred to. This test has already been adopted by the Commonwealth of Australia and by British Columbia, and would have certainly been adopted here long since but for the opposition of the transportation companies.

It is no doubt true that many of the newer immigrants are eager to have their children educated, and that many of these children are good scholars. But this fact strikes us the more forcibly

because it is the one ray of hope in a dark situation. I do not know that anyone has ever claimed that these foreign-born children are superior in any way to native-born children, and the latter acquire the most valuable part of civic education by hearsay and imitation in their own homes, while the foreign born have their only training in the school. Furthermore, everyone admits the enormous burden of educating such a large mass of children, illiterate as to even their own language. This is in addition to the burden of the adult illiterates imposed on a country which already has its problems of rural and negro education. There is no doubt that an illiteracy test would not only give us elbow room to work out our own problems of education, but would greatly promote elementary education in Europe. Why should we take upon ourselves a burden which properly belongs to the countries from which these immigrants come?

Whatever view we may take of the immigration question there can be no doubt that it is one of the most important, if not the most important, problems of our time, and, as such, it deserves the careful study of all our citizens. We are trustees of our civilization and institutions with a duty to the future, and as trustees the stocks of population in which we invest should be limited by the principle of a careful selection of immigrants.

Immigration in its Relation to Pauperism

By Kate Holladay Claghorn, Tenement House Department,
New York City

IMMIGRATION IN ITS RELATION TO PAUPERISM

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While it is plain enough that foreign immigration has some connection with the problem of pauperism since common observation and all the statistics available unite in showing that the majority of the recipients of our charity, public and private, are of foreign birth, it is equally certain on the other hand that pauperism is not something that the immigrant brings with him, but is the result of a considerable period of life and experiences here.

In 1903, even with the careful scrutiny now given by the immigration department, out of 857,000 foreign immigrants only 5,812, or less than seven-tenths of one per cent., were deported as likely to become public charges, and only 547 persons, or less than one-tenth of one per cent. of the immigration of the previous year, were returned within one year after landing as having become such.

In age distribution the immigrant group is the diametric opposite of the pauper group; the former consisting mainly of young adults, a group at the height of working power and ability for self-help; the latter of children and the old. This of itself indicates that much pauperism among the newly arrived is unlikely.

Furthermore, as a matter of fact, it takes some time for the immigrant to find his way to the poorhouse. The census of 1890 showed that 92 per cent. of the foreign-born male almshouse paupers had been in this country ten years or more, and their average length of residence here was probably much higher.

It is, in short, the immigration of past decades that is filling our poorhouses to-day. Of the foreign-born almshouse paupers enumerated in 1890, 83 per cent. were Irish, Germans and English—our older immigrants—while Italians, Austrians and Russians, the newer arrivals, were hardly to be found in almshouses at all. And this preponderance of the older immigrants in the almshouses was not merely due to their preponderance in the general population at that time. The ratio of paupers to the million of the same nation-

ality in the population at large was also far higher for the older than for the newer immigrants, being 2,163 for the English, 2,436 for the Germans, and 7,550, just three-fourths of one-per cent., for the Irish; while for the Italians it was only 817, for the Austrians, 779, and for the Russians, 586.

In view of the present uneasiness with regard to the changed racial character of immigration, and its great and increasing volume, it is of importance to learn, as far as possible, whether the newer Italians, Austrians and Russians will follow their Irish, English and German predecessors to the poorhouse in about the same proportion, or whether there are other elements at work to make the situation more or less favorable.

Taking the new immigrants by races, rather than by nationalities, the bulk of them are included in three groups—Italian, Slavic and Hebrew—which, together, now make up about two-thirds of our immigration year by year.

Assuming that the immigration for last year may be taken as typical, the following table indicates some of the group-characteristics which are significant with regard to probable pauperism:

Immigration for the Year Ending June 30, 1903.	Number of Immigrants.	Percentage of Males.	Percentage of Males who are			Percentage of Ages 14–45.	Percentage of those over 14 unable to read and write.	Money shown per capita.
			Professional.	Skilled.	Laborers.			
Italians	233,546	81	.41	15.00	74.00	84	43	$12.93
Hebrews	76,203	58	1.13	54.00	16.00	70	26	9.70
Slavs and Magyars:								
Bohemians and Moravians	9,591	61	1.43	44.50	32.00	75	1½	22.67
Croatians and Slovenians	32,907	89	.12	5.65	93.00	93	35	12.37
Lithuanians	14,432	75	.06	5.33	89.00	90	41	9.05
Magyars	27,124	75	.42	9.88	83.00	89	10	12.59
Polish	82,343	72	.08	6.10	85.00	88	30	9.54
Russian	3,608	80	2.28	16.80	69.00	85	31	25.06
Ruthenian	9,843	78	.08	2.10	96.00	92	50	9.40
Slovak	34,427	71	.06	5.60	88.00	87	21	12.00
Total, Italians, Hebrews and Slavs	524,024	.....	.....	.....	.....	.....	.....	.....
Total Immigration	857,046							

The Italians, it is seen, make up the largest single group, and in 1903 exceeded in number any single race group for any preceding year, with the sole exception of the Germans in 1882.

This group is peculiarly favorable as regards pauperism in respect to age and sex composition, with the highest percentage of males of any of the groups except the Croatians, and a high percentage of persons between fourteen and forty-five. But they are also the most illiterate of any of the groups but one—the Ruthenian—and the money shown is only $12.93 per capita.

It must be kept in mind, however, with regard to the poverty of immigrants as indicated in the immigration reports, that, for all classes of immigrants, the amount of money shown is probably far short of the money brought, as the immigrant from motives of caution will naturally exhibit only so much as he thinks necessary to gain him admittance.

The 74 per cent. of males classed as "laborers" were mainly farm laborers, from the country districts. The 15 per cent. skilled workers were, for the most part, from the towns, and were mainly barbers, carpenters, masons, shoemakers and tailors. The few "professionals" were musicians, sculptors and painters, and teachers.

The typical Italian immigrant, then, is the illiterate, unskilled laborer, with no capital but his sturdy arms and legs, and the poverty, illiteracy and lack of skill that characterize him are the qualities so often adduced in present-day discussion to show that our new-coming immigrants are on "the brink of pauperism." If so, a "brink" must be wider than is generally supposed—it takes the Italian, at least, so long to get over it.

The Italian immigrant comes here not only because of economic pressure at home, but because of a definite economic demand on this side for unskilled labor. In particular, the construction companies, now busily engaged in providing every city and town in the country with subways, trolley lines, power houses, mills, factories and skyscrapers, are absorbing this class of labor so freely that the Italian unskilled laborer, upon arrival, is quickly picked up and placed, and we hear nothing of him in relation to poverty or pauperism for some time.

A part of this good result must be, in fairness, ascribed to the padrone system, which, with all the evils it involves, at least makes the connection of laborer with employer much more rapid and certain than it could be without some such system.

An important factor in keeping the Italian laborer off the

hands of charity in his early period of residence is the great mobility of the newly-arrived Italian immigration. Up to the present time no statistics of departures have been kept, but it has been generally known that at the close of the busy season for unskilled work, or in a year of industrial depression, the return current to Italy is strong. In the past year it has been calculated that the number of east-bound steerage passengers was from 28 to 30 per cent. of the number of west-bound steerage passengers. The percentage for Italians alone would have been much higher than that, as they are by far the most mobile of any of the race groups in our immigration.

This very mobility is often regarded as an especial danger of Italian immigration; it should rather be regarded as a safety valve, or rather as a self-acting "law of settlement" which returns to their native communities those who are in danger of pauperism here, but who are able, in the home country, owing to the lower scale of prices and living, to maintain themselves until they are needed on this side again.

After a few years, however, the Italian immigrant saves up enough to bring his wife and children to this country, or to marry here, and then we begin to find him as a dependent.

As the Italian population is found mainly in the large cities—62 per cent. of them living in the 100 principal cities in 1900—the conditions among the Italian poor in New York City may be taken as fairly typical. Accordingly, to learn something about the emergence of dependence among the Italians, a study of Italian cases in the records of the New York Charity Organization Society for five city blocks, chosen for the density of their Italian population, was made. For the cases studied, the average period of residence in the United States for the head of the family was eight years and three months at the time of the first application for relief. In three-fourths of the cases the head of the family had been in the country five years or more. Only 6 per cent. had been in the United States less than one year. As to occupation, the male heads of families in the cases studied were about equally divided between the skilled and unskilled trades, in contrast to the proportion of one skilled to five unskilled in immigration; and about 5 per cent. of the applicants for relief were of the professional class, again in

contrast to the less than one per cent. of that class among Italian immigrants in general.

It is to be noted, furthermore, that these "professional" cases got into difficulties, not only in greater proportion, but in a much shorter time than the skilled and unskilled workers. In contrast to the eight years average residence shown for all cases taken together, the greater number of the professional cases were forced to apply for relief within a few months of arrival.

These followers of the professions were teachers, lawyers and musicians, and were, apparently, among the hardest to care for. One case, of a teacher, may be taken as typical of the fate of the educated, but poor, Italian in this country.

This man, a widower, with several children married, and in professional circles in Italy, came to this country with his two youngest sons, boys of twelve and fifteen. Unable to find employment in his own line, he undertook to support himself and one of the boys by rolling cigars. As he knew nothing about the trade, he was obliged to confine himself to the cheapest grades of the product, and, working night and day in his little tenement room, was able to roll, rather badly, about 200 cigars a day, for which his net earnings were forty cents. When he was at last obliged to apply for relief, he had been in the country only four months.

A prominent Italian who was applied to in relation to this case, stated that "as a rule, the educated Italian does not amount to much in this country."

In three-fifths of the cases studied, applicants for relief had relatives here, so that the placing of burdens upon those who are of blood kindred, which is one of the first principles of organized relief, could be, and, as a matter of fact was, applied in a considerable proportion of instances.

In somewhat less than half of the cases where there was a male head of the family, the wife followed some occupation, usually "sweat-shop" work—such as finishing coats, "pants" or skirts, or making artificial flowers. Where there was no male head the mother of the family was, naturally, more often found with an occupation.

In many of the families the older children were employed, but not so frequently as might, perhaps, have been expected. Less

than one-quarter of the cases studied showed employment of children. The boys occupied were in factory work of some kind, or were bootblacks or newsboys—none were in outdoor, unskilled labor. The girls were in factories, or did sewing at home, like their mothers.

In cases where family relations were unbroken, the causes of need were mainly sickness and lack of work. The typical case may be pictured something like this: The man of the family, with his wife's aid, has been earning just enough to live on, and lay up a little something besides. A period of unemployment, or an illness, has drawn upon the little hoard until it is exhausted, and then appeals are made for food, for coal, or for payment of rent. In a large proportion of these cases, after a brief period of relief-giving, the head of the family finds work, or the sickness comes to an end, and the family is on its feet again.

An encouraging feature of the situation is that few cases were shown where the cause of need was shiftlessness or laziness, or the "beggar spirit," and almost none in which drunkenness appeared as a factor.

The moral causes of Italian dependence are of another kind. Many of the cases studied were of families broken up by the desertion of husband or wife, by the separation of husband and wife, or by the imprisonment of the husband for some offense or other, leaving his wife and children a burden on the public. Many of these cases of desertion seemed to be due to sheer inability of husband and wife to get along peaceably together. In one of the cases where the family was in distress owing to the imprisonment of the husband, the offense for which he was sent up was that of choking his wife in a fit of anger. In other cases, the man cannot endure his wife, or his wife's relatives, and simply vanishes, to find peace in his own way. In still other cases, a man with a wife in Italy takes another in this country, and, on the appearance of wife number one on these shores, finds it convenient to disappear, leaving both wives and sets of children upon public care.

This easy throwing off of family ties is attributed by Italians largely to the influence of the new country upon the immigrant. At home, the church does not permit divorce, and holds the man fast to his marital duties: on this side, the grasp of the church is loosened, and, for the immigrant, there is no organized body of

social opinion to take its place in restraining him from taking advantage of what he conceives to be the privileges of a "land of liberty."

A feature of Italian dependence, usually regarded as especially characteristic, is the large number of commitments of children asked for. This has been taken to indicate in the Italian lack of parental affection, and the presence of the pauper spirit.

In justice to them, however, it should be said that in the cases studied, three-fourths of the instances where commitment of children was asked, were in families which were already broken up, because of desertion, or for the more creditable reason of death of husband or wife. And it should also be said that Italian parents are in general unwilling to part with their children permanently, or to have them placed out in distant homes, but want them near at hand, where they can be visited, and want them to return home as soon as they are able to help maintain themselves.

The Slavic group cannot, like the Italian, be considered as a whole. Reference to the table given above shows that the group includes a number of sub-groups, of more or less widely differing characteristics, from the Bohemians and Moravians, with their low percentage of males, and persons between fourteen and fifteen, and high proportion of literacy and money per capita, to the Ruthenians, Lithuanians and Croatians, with their high degree of illiteracy and poverty, and large proportion of adult male unskilled laborers.

These people, however, are alike in one respect, and also like the Italians—the high proportion shown of unskilled laborers or peasant farm laborers from country districts. There are few representatives of the cities among them.

Their destinations, too, are as diverse as their kinds. Some of the sub-groups mass themselves in special regions of two or three States, others scatter widely; some are found in the cities, others in the country, or in small towns. It is, then, impossible, without a study of each people in each center of aggregation, to give a comprehensive or detailed account of their conditions as to pauperism. The most that can be done in the present space is to show briefly some of the salient features of the main groups.

Taking the immigration report of 1903 as some indication of their destination it is seen that all of the various Slavonic groups

go in large proportion to Illinois and Pennsylvania, to work in the mines and mills of both States. Many of those who go to Illinois, however, find their way to Chicago, where they enter the sweat-shop industries characteristic of foreign life in our large cities. Many Croatians and Slovenians go to Minnesota and Missouri, to the mines; a considerable number of Lithuanians were found headed for Massachusetts, and of Slovaks to New Jersey. Ohio also claims a considerable proportion of several of the groups, for manufactures and farm labor.

None of the sub-groups, however, is so generally scattered as the Poles, by far the largest of them numerically, who are found en route to nearly all of the States, to become, with equal readiness, coal miners in Pennsylvania, steel workers in Illinois, farm laborers in Connecticut and Massachusetts, and, in surprising numbers, farm owners in these same States, where they are bringing back to productiveness the farms abandoned by native-born owners in the mad rush for the cities and the more fertile West.

Of these various classes and kinds, the city groups, engaged in sweat-shop work, suffer the effects of the sharp competition in that line of occupation, and fall into temporary distress from which they have to be helped out.

The farm laborers apparently have no difficulty in making their way, and there is practically no occasion for charitable aid toward them. It is from their ranks that the farm owners are recruited, and the fact that it is comparatively easy to pass from one class to the other seems to show that the Slavic farm laborer's condition is in general a good one.

The Slavic mine and mill workers are still another class—to general thinking the typical Slavic immigration, whose coming is felt as a danger. The situation of these workers is peculiar in many ways. Take the anthracite coal miners as an instance. To three Pennsylvania counties one-tenth of the entire Slavic immigration into the United States is called, whether by the general expectation of employment, or, as is claimed by some, directly by the employers, who want to keep on hand more men than they can employ continuously, in order to lower the rate of wages, and break the power of the unions. In this restricted district, with thousands of new recruits pouring in every year, with labor disputes constantly arising, with

ups and downs in the market for the product of the mines, there are long periods of unemployment for a considerable proportion of the miners.

It is not surprising to learn, then, that in the three anthracite counties the number per thousand of the population receiving outdoor relief is about three times the general average for the State.

This is by no means, however, due entirely to direct economic pressure. Some of the excess is due to what may be counted as an incident of the industry, and in that sense an economic cause—the accidents characteristic of coal mining, which leave women and children to be cared for by the public.

Another factor is the intemperance so conspicuously absent in the Italian. The Slav miner is a hard and ferocious drinker, and this habit must inevitably have its effect on the rate of pauperism.

There does not seem to be, however, much distress due to desertion. In general the mine workers[1] are said to work hard for the maintenance of their offspring, and are anxious to clothe and feed them well.

Finally, it is interesting to note, as a suggestion with regard to pauperism generally, that one careful observer of the situation attributes a great part of this high rate of pauperism to political influence in the giving of charity. Roberts shows the present rates of persons relieved for Coal Township to be 22.8 to the 1000, while for Schuylkill County it is only 7.3 to the 1000, and says further: "Three years ago the latter had about the same proportion as the former, but in the last few years the Taxpayers' Association of Schuylkill County took the list of outdoor relief in hand and thoroughly purged it of its abuses, and, without working injury to the worthy poor, succeeded in reducing the number 50 per cent., and the expenditures were cut down from $40,000 to $25,000." [2]

The remaining class of our newer immigrants, the Hebrews, differ in certain important respects from both the Slavs and the Italians. The bulk of immigration of this people is inconsiderable—less than one-third the number of Italians in 1903, and only about nine per cent. of the total immigration; but they come almost entirely by

[1] Roberts, Anthracite Coal Communities, p. 300.
[2] Roberts, Anthracite Coal Communities, p. 142.

reason of economic and social pressure at home, without any special economic demand on this side for their services, and they settle in an abnormally high proportion in two or three of our largest cities. Reference to the table shows a comparatively small proportion of males, but a high percentage of persons between the ages of 14 and 45. A small proportion of old people makes early pauperism unlikely, as only five and one-half per cent. were forty-five and over. The percentage of illiteracy is not high, and is less important even than the figures would show, as the illiterate are mainly women, whose lack of education would have no significance in the economic struggle, but the amount of money shown was only $9.70 per capita. Again it should be remembered, however, that not all the money brought is shown, and the Jews, being an especially cautious people, would be less likely than the Italians to show all they had.

The Italians and Slavs come mainly from country districts; the Jews, owing to the peculiar conditions fixed for them in their own countries, largely from cities. Another contrast is found in the range of occupations; the Hebrews showing over one per cent. of the males belonging to the professional class, and fifty per cent. to the skilled class, while only fifteen per cent. were classed as laborers. The skilled workers were mainly clerks, carpenters, painters and glaziers, shoemakers and tailors. The last class, the tailors, was the most numerous, making up about two-fifths of the male skilled workers, and twenty-one per cent. of all male arrivals. Five per cent. of the male arrivals were classed as "merchants," meaning small traders, peddlers, etc.

The typical Jewish immigrant, then, is of the small trading and artisan class of the towns, and finds his natural habitat in the cities on this side. As there is no crying demand here for the work the Jewish immigrant can do, the labor market in these lines being already well stocked, he is obliged to pick up whatever he can, and usually finds his way into the sweat shop, or starts out as a peddler, in competition with thousands of others, as poor and as eager for work as himself.

Owing to this great economic pressure, it would naturally be expected that the Jewish immigrant should have recourse to charity sooner than some other classes of immigrants. The report of the United Hebrew Charities of New York for 1901 showed that forty

per cent. of the new applicants for relief in that year had been in the country less than one year. It is encouraging to find, however, that this early recourse to relief does not mean an early retreat to the almshouse, or, apparently, the beginning of a permanent burden on private charity. It was stated in an article on Jewish Charities, published in the ANNALS OF THE ACADEMY in May, 1903, that, out of a Jewish population in Greater New York approximating 600,000, there were only 17 Jewish paupers on Blackwell's Island. As to private charity the same writer states that, of 1000 applicants for relief at the United Hebrew Charities in October, 1894, 602 had not applied for assistance after December, 1894, and of the remainder, only 67 families were dependent in any way on the Society in January, 1899. In other words, over ninety-three per cent. of the cases had become independently self-supporting.

According to the Report of the United Hebrew Charities for 1901, the main causes of need appear to be sickness and lack of work, as with the Italians. These two causes run into each other, indeed. When work is not plentiful proper provision cannot be made for sickness, while sickness, on the other hand, exhausts not only savings, but vitality, besides throwing the worker out of employment, so that securing employment subsequently is more difficult. More than half of the cases were distinctly of this nature, while a considerable proportion of the remainder involved these causes.

In these cases, as well as among the Italians, there seems to be a general absence of moral causes of need, and, perhaps, to an even greater degree, a conspicuous absence of drunkenness as a cause, or of thriftlessness and shiftlessness.

Among the Jews, as among the Italians, we find a considerable proportion of cases of deserted wives, and requests for commitment of children. But here the cause seems rather another variety of the purely economic cause. Family affection and loyalty are so strong among the Jews that when the Jewish husband leaves his family, or the Jewish parent of either sex asks commitment of children, it is usually through sheer inability to earn the bread necessary to fill all the mouths.

The general conclusions to be drawn with regard to the newer elements in immigration, as a whole, seem to be, first, that among them the unskilled worker gets along better than the skilled, and

the illiterate than the literate. This is not to say that skill and education are in themselves a handicap in the industrial contest, or that all racial groups with a large proportion of illiterate, unskilled labor get along better than all those with a high degree of literacy and a larger proportion of skilled labor.

The industrial success of any group in this country depends upon its adjustment to conditions of demand here, and some of the race groups seem able to find suitable openings for skill and education.

But on the whole there is more chance for the newcomer into any social aggregation to find foothold if he is willing to begin at the bottom, and in this country in particular there is less demand for skilled labor from outside, owing to the fact that the present inhabitants are willing to follow those lines of work themselves, but are unwilling to occupy themselves in unskilled labor. On the other hand, the skill, and especially the education of the newer European immigrant, have been directed along lines that do not suit American conditions. In the evolutionary phrasing, undifferentiated social elements can more easily adapt themselves, by specializing, to fit a new environment, than can the elements which have been already differentiated to fit a former environment.

Any restriction of immigration, then, that is based on an educational qualification, would be meaningless with respect to the growth of pauperism. Such a qualification would, among the newer immigrants at least, let in the class which, though small, is the most difficult to provide for, and would keep out the class that can best provide for itself.

The next conclusion to be drawn with regard to the newer immigration is that it relieves us in large proportion of that part of pauperism due to drunkenness, as the Italians and Hebrews, who make up three-fifths of the number, are temperate people.

The following table not only shows the importance of the drink habit as an accompaniment of pauperism, but also confirms the conclusions already arrived at as to the respective tendencies of the different race elements in this regard:

Proportion of cases due to drink for	Percentage of 7,225 C. O. S. cases (5).	Percentage due to intemperate habits of some member of family.	
		29,823 C. O. S. cases (6).	8,420 almshouse paupers (7).
Irish	23.62	37.84	44.55
English	16.93	25.07	40.75
[3]American	15.14	23.89	34.95
German	7.83	20.16	27.88
Italian	5.60	3.42	9.09
[4]Russian and Polish	3.24	6.73	12.96

Again, the causes of need among the newer immigrants appear to be more largely economic than moral. The following table shows statistically how far this conclusion is justified, and how the newer immigrants compare with the older immigrants:

Proportion of 7,225 C. O. S. cases due to various causes (8).	Irish.	English.	American.	German.	Italian.	Russian-Polish.
Misconduct	31.63	29.25	27.99	16.95	18.67	11.62
Drink	23.62	16.93	15.14	7.83	5.60	3.24
Shiftlessness or inefficiency	5.78	7.12	9.19	7.48	8.41	7.09
Crime and dishonesty	1.58	2.36	1.40	.58	3.73	
Other misconduct	.65	2.84	2.26	1.06	.93	1.29
Misfortune	66.26	68.15	68.84	79.28	78.51	85.13
No male support	5.07	3.16	4.11	4.27	6.54	6.45
Lack of employment	18.87	24.68	24.57	28.62	30.85	23.87
Sickness or death	19.80	22.94	20.31	22.92	16.82	25.16
Other misfortune	22.52	17.37	19.85	13.47	24.30	29.65
Not classified	2.11	2.60	3.17	3.77	2.82	3.25
	100.00	100.00	100.00	100.00	100.00	100.00

It may be of interest to see how the newer immigrants compare with the older as to deserting their wives and families. The following percentages[9] of 8,028 charity cases show a fairly uniform rate, except for the Russians and Poles, which is more than double that of any of the others:

[3] Includes native born of foreign parentage.
[4] Includes Hebrews and Slavs.
(5) Warner: American Charities, p. 44.
(6) Koren: Economic Aspects of the Liquor Problem, pp. 76–7.
(7) Op. cit., pp. 114–15.
(8) Compiled from Warner: American Charities, Table viii.
[9] Compiled from Warner, American Charities, p. 53.

	Irish.	English.	American.	German.	Italian.	Russian-Polish.
Married	44.00	45.82	46.63	58.40	60.68	62.50
Deserted wives	6.00	7.78	7.00	5.53	5.98	15.34

Worthy of note, besides, in the above figures, is the steadily increasing proportion of applicants for relief living in normal family relations, as we pass from the Irish, at the head of the older immigrants, at the left of the table, to the Russians and Poles closing the list of the newer immigrants at the right. This indicates the more occasional, temporary, or emergent nature of the need of the newer immigrants, the true pauper being shaken loose to great degree from family ties.

The same thing is shown by the following percentages[10] of numbers of persons in families asking aid in 4,176 Boston and New York charity cases:

	Irish.	English.	American.	German.	Italian.	Russian-Polish.
One to two in family	34.96	36.69	35.71	29.49	18.33	13.27
Three to five in family	46.38	49.19	47.02	50.49	51.36	49.99
Over five	18.62	14.14	17.27	20.11	30.26	36.69

It will be seen here that English, Americans and Irish lead in proportion of what may be called fragmentary families—one person, or husband and wife, deserting or deserted by their children—and that the Italians and Russians lead in large families, while the proportion of medium-sized, but normal, families is very much the same for all of the groups.

In the above tables it is to be borne in mind that under the heading "Russians and Poles" the unlike race groups, Slavs and Hebrews, are united. We cannot, then, draw conclusions for these peoples separately, but only for the newer immigration as a whole.

The main source of danger as to pauperism from our immigrants of to-day is in the severe economic pressure they are subjected to. While the unskilled laborer finds immediate employment on arrival here, and is thus kept for the time being from the need of charity, it is at such a low wage that there is little margin for provision

[10] Compiled from Warner, American Charities, pp. 50, 51.

against the accidents and enlarging needs of life—sickness, unemployment, increase of family cares, old age and death. Is this pressure actually so great that these needs cannot be met, and that our newer immigrants, after a period of ups and downs, during which they are helped along by temporary relief, must in large proportion find their way to the poorhouse at last?

There are two influences at work—the one beginning as the other slackens—to stave off this fate: in the early period of the new immigrant's life here, a phenomenal thrift that enables him to save money from a wage that seems hardly sufficient to sustain life; in the later period, a gradual raising of the standard of life that, without diminishing the determination to get on in the world, shifts the stress of effort from saving to earning.

As a result of these tendencies a rapidly growing prosperity is to be seen among these newer peoples.

The Italians are for the most part still in the saving stage, but their savings are surprisingly large. It has been estimated that the Italians in New York hold property to the amount of $60,000,000 and over, a value which is, however, far below that of the Italian colonies of St. Louis, San Francisco, Boston and Chicago.[11]

The amount held by Italians in savings banks alone in New York is estimated at over $15,000,000, and the savings sent home to Italy are sufficient in many cases to set whole villages on their financial feet again.

The Jews are under greater economic pressure than the Italians, but, on the other hand, they have a greater and more intense personal ambition, which is always pressing and pushing to lift them upwards. The increase of wealth on the East Side in New York is as noteworthy as the increase in poverty. A considerable proportion of the tenements of the city are owned, one or two in a holding, by Jewish immigrants, and the amount of savings laid away in the banks of the East Side is surprising.

Even the Slav miners of the anthracite region show a considerable financial surplus. In four towns of the mining region it has been estimated that the Slavs own $2,500,000 in real estate, or about $100 per capita of the Slav population in those towns. In one town they owned 39 per cent. of the homes, the values ranging from $350

[11] Gino C. Speranza; "Charities," May 7, 1904, p. 462.

to $7,000, and averaging $953. The payments on land are prompt. There is, in addition, much money sent home, and the banks are doing well by reason of Slavic custom.

Furthermore, the standard of life is undoubtedly rising among these people. They live in better houses than ten years ago, and in dress and other outward tokens are showing the effect of contact with people in a more advanced social stage.

While this process of economic improvement is going on, however, with the newer immigrants, there are other influences at work that make in the direction of pauperism. Overwork, poor food, and life in the airless, sunless and crowded tenements of the city, or in the equally crowded and even more unsanitary dwellings of the mill- or mining-town—the conditions accompanying the early stages of the immigrant's progress—tend strongly to break down the physical health of the sturdy Italian or Austrian peasants, or even of the Jews, more accustomed to the unsanitary conditions of city life. An alarming increase of tuberculosis among the Jews and Italians in our large cities, the phenomenally high death rate of Italian children in the same, and of Slavic children in the anthracite region, seem to show that the tendency is already a strong one.

As a secondary result of enfeebled health, and as a direct result of overcrowding, there is the further danger of moral as well as physical breakdown, both in the first and second generation, and an emergence of the causes of pauperism which have been so far notably absent—drunkenness, vice and idleness.

In our large cities the Italians and Hebrews are learning to patronize the saloons, and are being drawn into the meshes of organized vice. There is no reason to think, however, that this tendency will spread through the mass of either people. In the history of immigration so far the race groups that have shown general intemperance here have brought it with them as a race trait; those who were temperate on arrival have, in general, remained so.

The drink difficulty, so far as the newer immigrants is concerned, is not so great that it cannot be in great part checked by municipal forethought.

It is in insuring conditions favorable to physical health, however, that the municipality or other form of local government has the most important part to play. Keep the immigrant population

in a fairly normal condition of health, and they will, of themselves, go far towards working out the rest of their salvation. And this can undoubtedly be done by intelligent municipal regulation, especially of housing conditions. The history of tenement house reform shows that the tenement house in itself has been responsible for much of the physical and moral degradation seen in our large cities. It is, indeed, impossible to calculate how great has been the social loss and waste, how heavy the additional burden of pauperism, due to the policy of allowing landlords to hive as many human beings as possible upon a given space of land, without regard to health or decency.

In country districts, also, housing conditions are of the utmost importance, although this has largely been overlooked in the great interest aroused in city conditions. In the anthracite region, for instance, a high disease rate and infant death rate among the Slavs, as well as some of the social and moral evils there prevalent, are certainly due in large part to the wretched general sanitation of the towns, to the relegation of the Slavs, as far as possible, to undesirable quarters in the towns, and to the "company houses"—the poorer ones at least—in which about sixteen per cent. of the miners are obliged to live.

Improvement in housing conditions has this special advantage as a means of social betterment, that its effects are relatively permanent. General sanitary laws as to cleanliness, disposal of refuse, etc., may be obeyed to-day and disregarded to-morrow; but if houses are once put up with adequate light and ventilation, if windows are once cut, court space provided for, sufficient distance from adjoining buildings secured, the height restricted, and proper plumbing installed—all this cannot be done away with in a day; and in fact, there is no great inducement to do away with it when the house owner has once made the investment.

There is, in short, no surer and more comprehensive means of raising the standard of life among the poor than by compulsory improvement of their dwellings. If rents in the crowded sections of cities are raised in the process, it is one inducement the more to the spread of population into more open, and cheaper, districts, thus relieving congestion in the older quarters.

Finally, there is a more or less remote danger of the emergence

Australasian Methods of Dealing with Immigration

By Professor Frank Parsons, Boston, Mass.

AUSTRALASIAN METHODS OF DEALING WITH IMMIGRATION

By Professor Frank Parsons
Boston, Massachusetts

From the first the Anglo-Saxon colonies of Australia and New Zealand have regarded the immigration problem as one of the most important that could engage the attention of their statesmen, affecting most vitally the public health and morals, the wage level and conditions of labor, freedom and civic life—determining, in fact, the quality of the materials used in the construction of their institutions and civilization.

Until well toward the middle of the last century, England looked upon her colonies as convenient dumping grounds for social refuse; receptacles for criminals and paupers. Later, the influx of colored aliens, yellow, brown and black, coming spontaneously or brought in by capitalists, became a matter of serious moment. Swarms of Chinese and masses of black Melanesian laborers, called Kanakas, picked up in the islands of the Western Pacific and taken to work on the sugar plantations of Queensland, carried with them a deplorable deterioration of the labor level and constituted a dangerous breach of social homogeneity and strength. The colonies needed immigrants to develop their resources, but such immigrants were worse than none. It was felt that the development of civic and social life on a high plane was more important than the working of mines, plantations and factories with cheap labor, or any other question of wealth production, and that immigrants unfit for free institutions and high civilization must be rejected, no matter how great the need for labor might be.

From these facts and this feeling, three strong movements resulted: First, an agitation that aroused enlightened public sentiment in England and put an end to the dumping of convicts and social rubbish in the Australasian colonies; second, the adoption by colonizing companies and the colonial governments of various plans of *scientific colonization* under which immigrants were carefully selected

a degraded standard of life and inherently adapted to despotism rather than democracy.

The Chinese have no idea of becoming part of the community. They go to the colonies to earn a little money as small shopkeepers, servants, factory workers, etc., and then return to China. They do not bring their women. Out of 14,000 living in New South Wales in 1891, only 60 were women. The New Zealand Year Book for 1903 gives the number of Chinese in that colony as 2,792, of whom 31 are females. These immigrants have no family responsibilities, no social interests, no capital, no knowledge of English. They live in hovels and scorn sanitation. They are unclean, conceal contagious diseases from the authorities, and are a menace to the public health. They can live on next to nothing and save money on wages that would not support a white man and his family even at the slum level. They have no conception of free government and civic responsibilities.

As early as 1848 there were Chinese shepherds in Queensland, but the first important influx into Australia occurred a few years later during the rush to the gold mines of Victoria. The whites quickly took the alarm and for fifty years have been practically a unit on the policy of keeping out the yellow race. In 1855 the new-born Victorian State enacted that no ship should bring more than one Chinese to each 10 tons of its tonnage, and that a shipmaster must deposit £10 with the collector of customs for each Chinaman he brought. A similar law was passed by South Australia in 1857, and by New South Wales in 1861. Queensland began, or tried to begin, by imposing a special license fee on the Chinese working in the gold fields. But the English Colonial Office, though it had permitted the Victorian legislation and its copies, vetoed this Queensland bill and in a despatch to the Governor of the Colony, March 1877, laid down the principle that "exceptional legislation calculated to exclude from any part of Her Majesty's dominions the subjects of a State at peace with Her Majesty is highly objectionable." Queensland, however, evaded the rule by adopting an act similar to the Victorian law previously sanctioned by the Home Office, lowering the financial bar a little but encouraging good conduct and quick departure by providing that, if the immigrant left within three years without breaking the criminal law or receiving charitable aid, his £10 should be returned to him. This act England allowed to become law.

These laws were fairly effective. The incoming tide was checked and the outgo led to a rapid diminution of the Chinese population of the colonies. Victoria, for example, had about 42,000 Chinese in 1859, while in 1863 there were only 20,000 left. Public fear subsided and the exclusion law was repealed after being eight years in force. New South Wales also repealed her exclusion act after using it six years. From 1867 to 1881 the Chinese could go and come pretty much as they pleased outside of Queensland and South Australia.

But the yellow tide rose again in 1880 and '81 and in the latter year exclusion laws more drastic than those above mentioned were passed by New South Wales, Victoria, South Australia and New Zealand. The four acts were much alike,[1] the essence of them being that every Chinaman must pay an arrival tax of £10, and that only one could come for each 100 tons of tonnage in any ship. South Australia provided in addition that the Chinese immigrant must have been vaccinated.

Queensland left her Chinese tax at £10 and her tonnage ratio at 1 to 10 tons until 1884, when she found it necessary to raise the bars as the Chinese were jumping over the old fence in uncomfortable numbers. The arrival tax was lifted to £30 (about $150) absolute, payment not to be refunded on leaving the colony, and the proportion of Chinese immigrants was not to be more than one to 50 tons.

After this there was a lull until 1888. Then it was learned that nearly 4,500 Chinese had entered New South Wales in the previous twelve months. They were pouring into other colonies also. There was a panic. Henry Parkes, Prime Minister of New South Wales, telegraphed to England urging the Imperial Government to negotiate a treaty with China similar to that which had just been secured by the United States, but before diplomacy could be tried an emergency arose which drove the Colonial Governments to drastic measures for their immediate defense.

The emergency was brought by the steamer *Afghan*, which reached Port Philip in April, 1888, with 264 Chinese on board—250 more than her tonnage entitled her to bring under the Victorian law of 1881. Some of the Chinese passengers claimed to be naturalized British subjects and showed naturalization papers. These were alleged to be fraudulent and the collector of customs refused to allow

[1] Tasmania followed with a similar law in 1887.

any of the Chinamen to land. The *Afghan* then went to Sidney and there, with three other steamers carrying Chinamen, met a similar refusal. Parkes induced the House to suspend the standing orders and, in a few hours, passed a strong exclusion bill. The Senate rejected the measure. The Chinese, meanwhile, appealed to the Supreme Court and it held that those who were British subjects, or had previously lived in New South Wales, could land. The rest had to go away. About a hundred of them were somehow landed in New Zealand, which led to a brilliant executive order, erecting a medical wall against the Chinese by declaring the Far East and the Malay Archipelago to be *infected* countries. This gave the authorities power to detain in quarantine all ships coming from those regions. No use was made of this device however, as the drastic laws adopted by the Colonies soon after the *Afghan* incident made it unnecessary to resort to such medicinal inventions.

An inter-colonial conference discussed the situation in June, 1888, and passed resolutions urging further restriction of Chinese immigration by diplomatic action of the Imperial Government and by uniform colonial laws. It was recommended that Chinese passengers in any ship should not exceed 1 to each 500 tons; and that it should be made a misdemeanor for a Chinaman to go from one colony to another.

New South Wales was the first to act. With public opinion behind him, Parkes pushed through another exclusion bill, which became law in July, 1888, a few weeks after the conference. It raised the arrival tax from £10 to £100 and the tonnage per Chinaman from 100 tons to 300 tons. British subjects were exempted from the act but no Chinese alien could thereafter be naturalized. The penalty for breach of the law might be as high as £500. The act was assented to by the Home Office in spite of its scruples about legislation against specific nationalities, and the new law proved its effectiveness at once. In 1887 New South Wales had 4,436 Chinese arrivals; in 1889, the number fell to 9; and ten years later only 5 Chinese aliens entered the colony.

Victoria passed a law in 1888 limiting Chinese passengers to 1 for every 500 tons as suggested by the inter-colonial conference. The arrival tax was abolished, but a Chinaman entering Victoria by land without the Governor's permission must pay not less than £5, nor

more than £20. This law has not proved as effective as the statute of New South Wales.

New Zealand raised the tonnage to 100 tons per Chinaman, but left the arrival tax at £10 for almost another decade. In 1896, after a struggle with the Senate, or Legislative Council, as it is called, the Seddon Government succeeded in raising the entrance fee to £100. From this it would appear that civilization comes high to a Chinaman. It is the penalty he pays for being born in bad company.

These laws so far discouraged Chinese immigration that the census of 1891 showed but 42,521 Chinese in all the seven colonies, or only about as many as were in Victoria alone in 1860.

We come now to a decided change of method in colonial immigration laws. The laws we have now to study are not specific anti-Chinese acts, but provisions against low-grade immigrants in general. This alteration of method was due partly to the change of the Chinese stream from an invasion to an outgo, together with the fact that other inferior peoples were beginning to come in numbers sufficient to cause uneasiness, and partly to the definite policy established by Joseph Chamberlain as head of the Colonial Office that, for the future, exclusion laws must not be aimed specifically at the people of any nationality but at undesirable persons generally. The Natal law of 1897 followed his suggestion, and has since been copied, more or less completely, by the Australasian colonies. It excludes: (1) Any person who fails to write in some European language an application for admission; (2) A pauper or person likely to become a public charge; (3) An idiot or lunatic; (4) One having a loathsome or contagious disease; (5) One convicted within two years of a serious non-political offense; (6) A prostitute or person living on the earnings of prostitution. The New Zealand law (1899) omits the second and last, and stipulates that the writing test shall not be applied to persons of British birth. Tasmania (1898) omitted the sixth clause. New South Wales (1898) struck out five of the six clauses, leaving only the first. West Australia (1897) enacted all six clauses, improving on the first by *requiring immigrants to write fifty words in English taken from some British author*, a method that allows a better test than the mere writing of a stereotyped application form, using the same set of words each time which might therefore be mastered by very ignorant applicants.

On January first, 1901, the Australian Commonwealth came into being and in the enumeration of powers in the Constitution, the Federal Parliament was given authority to legislate with respect to "the influx of criminals; immigration, emigration," etc.

Early in the first Federal session, the Commonwealth Premier, Mr. Barton, took up the exclusion question and a Federal law was enacted in October, 1901, modeled after the Natalian act and repealing the State acts on the same model.

The main points of the act are: (1) a provision for a writing test of fifty words dictated to and written by the immigrant in some European language directed by the customs officer; and (2) a clause prohibiting the importation of "persons under a contract or agreement to perform manual labor within the Commonwealth," except "workmen exempted by the Minister for special skill," and crews of vessels engaged in the coasting trade, the agreed wages not being below the rates ruling in the Commonwealth.

In addition to contract laborers and persons who fail to stand the European writing test, the class of "prohibited immigrants" includes:

(3) "Anyone likely to become a charge upon the public or upon any public or charitable institution;"

(4) "Any idiot or insane person;"

(5) "Any person suffering from an infectious or contagious disease of a loathsome or dangerous character;"

(6) "Any person who has within three years been convicted of an offense, not being a mere political offense, and has been sentenced therefor, and has not received a pardon;"

(7) "Any prostitute or person living on the prostitution of others;"

Ambassadors or others accredited to the Commonwealth or sent on any special mission by their Government; the King's regular land and naval forces; the crew of any public vessel of any Government; the wife of a man who is not prohibited and the children under eighteen of a person not prohibited; and persons who were formerly domiciled in Australia, are exempt from the prohibitions of the act. The Minister for External Affairs may give to anyone he sees fit a certificate of exemption for a limited period, subject to cancellation by order of the Minister at any time. The crew of any vessel may land while the ship is in a Commonwealth port, going out with the ship when it leaves the harbor.

In his speech upon the bill, Premier Barton said that the selection of the language for the writing test would not be arbitrary and that the test would not be applied at all to persons who were manifestly desirable citizens. This would seem to place a large discretion in the customs officers. The law provides,

however, that any immigrant may be subjected to the writing test at any time within a year, and if he fails under it, he shall be deemed a prohibited immigrant. A person who fails in the writing test may, in the discretion of the officer, be allowed to enter or remain in the Commonwealth on deposit of £100, subject to refunding, if within thirty days he obtains a certificate of exemption from the Minister, or leaves the country. If he does neither, the deposit may be forfeited and he may be treated as a prohibited immigrant.

Violation of the act subjects the prohibited immigrant to risk of six months' imprisonment and deportation. And masters, owners and charterers of any vessel from which a prohibited immigrant enters the Commonwealth are subject to a penalty of £100 for each prohibited immigrant so entering the Commonwealth.

The Barton Government next grappled with the black problem — the Kanakas on the sugar plantations of Queensland. It was claimed that white men could not work in the terrible heat and under the other peculiarly trying conditions of the plantations, and that even if white labor could stand the strain, it would be so much more expensive that this great business, supplying one of Queensland's main products, would be ruined. The people of Australia, however, were determined to wipe out the black spot on their map. They will have a white Australia, cost what it may, so the Federal Parliament passed the Pacific Islands Laborers Act (1901) putting an end to all agreements with Kanaka workers after 1906. After January 1, 1907, the blacks must go. To protect the planters from ruin, a tariff of £6 per ton is put on foreign-grown sugar. The excise duty on sugar grown in Australia is only £3 and £2 of this is handed back to planters who use only white labor.

These two Commonwealth Acts and the New Zealand statutes of 1896 and 1899 above referred to constitute substantially the present immigration laws of Australasia.

This vigorous legislation for the preservation of civilization was not secured without opposition. Some capitalists desire cheap labor, regardless of social and political effects. Some economists also focus their gaze on cheap production and a low wage rate, [2]

[2] It is argued that the Chinese are very industrious and give the Colonists a large amount of valuable service for a small compensation. The statesmen of Australia and New Zealand reply that a man may be industrious and yet be dirty, miserly, ignorant, a shirker of social duty, a source of weakness in the civic life, and a danger to the public health. All these most of the Chinese immigrants are. Moreover, their low plane of living makes even their industry a curse instead of a benefit. The white workman is expected to be clean and comfortably dressed; to marry and have children; be well fed and clothed and educated; to have a home that will be a credit to the neighborhood; to read books, magazines and newspapers; take part in the social life of the community and give a reasonable amount of time and intelligent attention to public affairs. To accomplish this he must have short hours and good wages. But in

oblivious of the fact that manhood in the long run is the most potent factor in wealth production, as well as being itself the highest wealth, the most important product of an industrial system. Some humanitarians think it unjust and cruel to shut the door against a man because he is ignorant and penniless and undeveloped. And some, on religious grounds, regard the incoming of non-Christian masses as a providential facilitation of their propaganda. But the great majority of thoughtful persons regard the matter as a choice of evils, and believe it a lesser evil to limit the locomotion of the unfit than to imperil the civilization of the more progressive countries by an inundation of low-grade life.

A *family* does well to be careful about the sort of people it admits to daily contact and intimate association with its children. And a *nation* may wisely exercise a similar care. A flood of undesirable humanity is a much more serious problem than the importation of a mass of undesirable merchandise. The condition of the lower classes in the old world is pitiable, but even if they go in crowds to a new country, the space they leave soon fills up again with the same sort of social molecules or cells, and the principal effect is the degradation of the new country.[3]

Distance and cost have so far protected Australasia from any large amount of immigration from the lower classes of Italy, Hungary and Russia. But if such an inundation threatened, the disposition to prevent deterioration of the average citizenship and labor level is so strong that, no matter where it comes from, low-grade immigration is likely to be resisted by law.

Countries like New Zealand and some of the Australian States that aim to secure work for the unemployed and pay pensions to the aged poor, have special reason to exercise care in selecting those they take into partnership, and for whose well-being they become responsible. They claim the right to exclude from their association all new comers who do not seem calculated to make reasonably use-

many trades that do not require much intelligence, but only good staying qualities—something alive that can keep moving—a Chinaman without family, or social, or political interests, or even a stomach that calls for good food, can keep at work 16 hours a day and live on 8 or 10 cents' worth of rice in two meals a day, and be as fresh in the 16th hour as he was the first. His competition is unfair. He degrades the standard of living. He comes only to extract what he can from the colony and take it back to China. After scraping up two or three thousand dollars he goes home. At one time the returning Chinese were taking an average of more than a million dollars a year from the Australian Colonies.

[3] The idea of excluding the products of low grade labor abroad by a tariff wall while admitting the low grade labor itself, is one of the absurdities of a politico-economic philosophy that carefully guards merchandise and profit but leaves the wage level open to attack.

ful members of it; the right to keep their soil for men fit to be free and self-governing; the right to prevent the lowering of their standard of life.

The effectiveness of the laws now in force is unquestioned. The Chinese in Australia and New Zealand fell from 42,521 in 1891 to 34,638 at the census of 1901. The strength of the recent Australian statutes and the vigor of the Government's policy are well shown in the speech of Mr. Deakin, Premier of the Commonwealth, at Ballarat, October 29, 1903. Discussing the question of a white Australia, the Premier said:

"In this theatre, two and a half years ago, I laid special stress upon the white Australia policy of the Government. After that there was a fierce conflict in Parliament as to whether the means we proposed to exclude the undesirable and colored aliens would suffice. There were those who wished that on the face of the statute the prohibition against them should appear in so many words. We believed that we studied Australian interests, and also lessened the difficulties of the mother country, if, instead of saying in so many words they should be excluded, we placed in the hands of the Government an educational test which could be applied so as to shut out all undesirables. We have had two years' experience of the working of our test, and it has worked well. You have seen from time to time how few have managed to survive it. The returns for the last nine months show that 31,000 persons entered Australia from over sea, 28,000 being Europeans. Of the remainder, many of the colored persons came to Australia to engage on pearling vessels. The arrangement we have made is that they land only to sign their articles. A guarantee is taken from those who bring them that, when their time is up, they shall leave the country. By this means they never really enter Australia. They merely fish in our waters or just outside them. I find that out of 408 Japanese who came to Australia, 374 went at once to the pearling vessels; 11 others had been in Australia before, and were entitled to return; while one deserted and managed to escape our clutches. Of 406 Malays who came to Australia to engage in the pearling trade, only one was entitled to enter the country, and again we had one deserter. While of the 73 Papuans who came over to assist in pearling, none deserted, and all will return. To come to the persons who, either under the State law or since, have secured domicile in Australia, the return shows that 2,571 colored persons entered the Commonwealth during the nine months, of whom 2,561 entered under the authority of the law. There were only 10 to whom we could not or did not apply the test. Besides these there were 785 Pacific Islanders, who came in under permits, which cease on March 31st next, after which no Kanaka is authorized to be brought into Australia. While 785 came in, 978 went out. There were 755 Chinese entered the Commonwealth, while 1,456 went out. Altogether 3,172 colored people left Australia. The alien colored population is being steadily reduced.

"Now, as to the test. Of course, this is not much applied, because ship-owners

know that if they bring colored aliens to this country who are not legally entitled to land, they will have the pleasure of taking them back to their native land. During the nine months 121 such immigrants presented themselves; 9 only got through. Out of these, two were entitled to do so because they simply came from Ceylon to purchase horses, and of the others I found that five were probably colored sailors who deserted from one ship and enlisted on another. I don't think that during the next nine months even nine are likely to enter. You probably believe that a white Australia is secure. I hope it is, but it won't be secure unless a vigilant watch is kept upon proposals to tamper with it. None of a serious character have been put forward by anybody in a responsible position, but there are indications that we may have to defend the principle yet. So far as this Government is concerned it will be ready for the emergency. A white Australia does not by any means mean only the preservation of the complexion of the people of this country. It means the multiplying of their homes, so that we may be able to occupy, use and defend every part of our continent; it means the maintenance of conditions of life fit for white men and white women; it means equal laws and opportunities for all; it means protection against the underpaid labor of other lands; it means social justice so far as we can establish it, including just trading and the payment of fair wages. A white Australia means a civilization whose foundations are built upon healthy lives, lived in honest toil, under circumstances which imply no degradation. Fiscally a white Australia means protection. We protect ourselves against armed aggression, why not against aggression by commercial means? We protect ourselves against undesirable colored aliens, why not against the products of the undesirable alien labor? A white Australia is not a mere sentiment; it is a reasoned policy which goes down to the roots of national life, and by which the whole of our social, industrial and political organization is governed."[4]

[4] For further information, see the Report of the Royal Commission on Alien Immigration, London, 1903; the Parliamentary debates of the various Colonies and of the Commonwealth, for the years indicated by the dates of the laws mentioned in the text, especially Mr. Barton's Speeches, pp. 3497 and 5492 of the Australian *Hansard;* "A White Australia," by Sir H. Tozer, *Empire Review*, Nov. 1901; the *Australian Review of Reviews* and the columns of Australian newspapers, especially the *Sydney Bulletin* for 1901; "Australia From Another Point of View," *Macmillan's Magazine*, March 1890; "The Chinese in Australia," *Quarterly Review*, July 1888; "Chinese Exclusion in Australia," by H. H. Lusk, *North American Review*, March and April 1902; "Chinese Problem in Australasia," by C. A. Barnecoat, *Imperial and Colonial Magazine*, April 1901; "Exclusion of Aliens and Undesirables," by W. P. Reeves, *National Review*, Dec. 1901; "Australian Immigration," by J. Henniker Heaton, *Leisure Hour*, July 1901; "Australia for the White Man," by Gilbert Parker, *Nineteenth Century*, May 1901; Reeves' "State Experiments in Australia and New Zealand; Dilke's "Problems of Great Britain;" Correspondence Relating to Chinese Immigration into the Australasian Colonies, English Parliamentary Papers, July 1888; and Proceedings of a Conference between the Colonial Secretary (Rt. Hon. Jos. Chamberlain) and the Premiers of the Self-Governing Colonies, English Parliamentary Papers, 1897.

Proposals Affecting Immigration

By John J. D. Trenor, Esq., Chairman of the Committee on Immigration, appointed by the National Board of Trade, for 1904

PROPOSALS AFFECTING IMMIGRATION

By John J. D. Trenor, Esq.
NEW YORK CITY
Chairman of the Committee on Immigration, appointed by the National Board of Trade, for 1904

At the outset of the examination of any proposals affecting immigration there should be a full realization of the magnitude of dependent interests and of the injury that will be wrought by ill-considered and misjudged legislation. No subject of national concern demands more assuredly impartial and thorough consideration—in the colorless light of facts determined and determinable—without any bias of prejudice, of misinformation, or selfish, short-sighted interest.

It is needless to enter into any presentation in detail of the contribution of immigration to the upbuilding of this country. It is conceded that the marvellous growth of our nation in every exhibit of industrial progress has been greatly aided by the influx, during the last century, of so many millions of honest, willing and industrious laborers seeking homes and opportunities here for themselves and their children. They have taken part in every memorable achievement and their decisive influence has been cast in the scale to sustain every effort for the maintenance of the life and integrity of the Union.

During the past forty years, there has been a persistent sifting of immigration, with the design of excluding all classes and conditions incapable of assimilation or offensive to our civilization. The Act of 1862 prohibited the importation of "coolie" labor from Oriental countries and subsequent "Chinese Exclusion Acts" have broadly shut out the Chinese as persistently alien and detrimental to the character and homogeneity of our nation. The Act of 1875 excluded convicts, except those guilty of political offenses, and women imported for immoral purposes. By the Act of 1882, lunatics, idiots, and persons unable to care for themselves without becoming public charges, were comprehended in the exclusion.

The Act of 1885, by implication, and the Act of 1887 expressly, added "contract laborers." By the Act of 1891, paupers, persons suffering from loathsome or dangerous contagious diseases, polygamists and "assisted" immigrants were specifically excluded. The Act of 1903 added epileptics, persons who have been insane within five years previous, professional beggars and anarchists. By the same Act also, there was a stringent exclusion of persons deported within a year previous, as being "contract laborers." If by any oversight of inspection any of the excluded persons should succeed in obtaining an entrance to this country, their deportation at any time within two years after their entry is secured when their presence is detected.

The comprehensive Act of March 3, 1903, entitled "An Act to regulate the immigration of aliens into the United States," was professedly the crystallization of thirty years of experience, investigation, debate, and legislation in the solution of the so-called "problems of immigration." The testing of the operation of this Act has barely begun; but, without waiting for any exact determination of substantial defects or insufficiency, further proposals of change are hazarded. Of the two deserving special mention, one would effect a radical change in administration through consular inspection and certification at the ports of embarkation; the other urges a sweeping exclusion, not based on moral character or capacity for labor and self-support, but on literary qualification and comprehension of political institutions—the ability to read and presumably to appreciate a text taken from the Constitution of the United States.

Proposal for Consular Inspection.—The proposal for a change of administrative method, through consular inspection and certification, is a belated revival of a proposition that has received more careful and expert consideration than any other measure affecting immigration that has been urged upon the attention of Congress. Every material point in the case was raised and determined in the investigation of the "Weber Commission" of 1890–1891. The adverse report of this Commission was formally endorsed by Secretaries Gresham and Carlisle and its conclusion has been enforced by the repeated examination and judgment of successive committees on immigration. In the latest hearings before the Senate Committee on Immigration in 1902, the undesirability of regulation by con-

sular inspection was expressly attested by Mr. Charles Warren, representing the Immigration Restriction League, who stated: "I do not think that there is a prominent man who has taken up the subject, who advocates it;" and the Chairman of the Committee confirmed this conclusion by observing: "I understand that the idea of consular inspection has been practically abandoned."

Proposal for "Educational Tests."—The proposition for the introduction of the so-called "educational test" was judicially considered and rejected in the message accompanying the *veto* of President Cleveland on March 2d, 1897. No statement of the case is more obviously impartial or can carry a greater weight of individual authority.

In this statement he observed: "A radical departure from our national policy relating to immigration is here presented. Heretofore we have welcomed all who came to us from other lands, except those whose moral or physical condition or history threatened danger to our national welfare and safety. Relying upon the jealous watchfulness of our people to prevent injury to our political and social fabric, we have encouraged those coming from foreign countries to cast their lot with us and join in the development of our vast domain, securing in return a share in the blessings of American citizenship.

"A century's stupendous growth, largely due to the assimilation and thrift of millions of sturdy and patriotic adopted citizens, attests the success of this generous and free-handed policy, which, while guarding the people's interests, exacts from our immigrants only physical and moral soundness and a willingness and ability to work.

"A contemplation of the grand results of this policy cannot fail to arouse a sentiment in its defense; for, however it might have been regarded as an original proposition and viewed as an experiment, its accomplishments are such that if it is to be uprooted at this late day, its disadvantages should be plainly apparent and the substitute adopted should be just and adequate, free from uncertainties and guarded against difficult or oppressive administration.

"It is not claimed, I believe, that the time has come for the further restriction of immigration on the ground that an excess of population overcrowds our land.

"It is said, however, that the quality of recent immigration is undesirable. The time is quite within recent memory when the same thing was said of immigrants who with their descendants are now numbered among our best citizens.

"It is said that too many immigrants settle in our cities, thus dangerously increasing their idle and vicious population. This is certainly a disadvantage. It cannot be shown, however, that it affects all our cities, nor that it is permanent; nor does it appear that this condition, where it exists, demands as its remedy the reversal of our present immigration policy.

"The best reason that could be given for this radical restriction of immigration is the necessity of protecting our population against degeneration and saving our national peace and quiet from imported turbulence and disorder.

"I cannot believe that we would be protected against these evils by limiting immigration to those who can read and write in any language twenty-five words of our Constitution. In my opinion it is infinitely more safe to admit a hundred thousand immigrants who, though unable to read and write, seek among us only a home and opportunity to work, than to admit one of those unruly agitators and enemies of governmental control, who can not only read and write, but delight in arousing by inflammatory speech the illiterate and peacefully inclined to discontent and tumult. Violence and disorder do not originate with illiterate laborers. They are rather the victims of the educated agitator. The ability to read and write as required in this bill, in and of itself, affords, in my opinion, a misleading test of contented industry and supplies unsatisfactory evidence of desirable citizenship or a proper apprehension of the benefits of our institutions. If any particular element of our illiterate immigration is to be feared for other causes than illiteracy, these causes should be dealt with directly instead of making illiteracy the pretext for exclusion, to the detriment of other illiterate immigrants against whom the real cause of complaint cannot be alleged."

Hon. Samuel J. Barrows, Secretary of the Prison Association of New York, has characterized this test as a suggestion of literary dilettanteism—not measuring the extent of education in its true meaning as the drawing out of faculty, or the capability for

useful and needed service, nor gauging the moral character of any immigrant. In view of this apparent certainty, it may be noted without unfairness that the probable effect of the adoption of this test seems to be of much more concern to the bulk of its advocates than the justice and fitness of its application. It is the simplest and handiest resort for cutting down immigration and it is calculated that it will bear chiefly on the immigration from Southern Europe, which is the most novel and hence least expert in settlement and least supported by widely distributed roots here.

Without discussing further, therefore, the application of this particular device of reduction, it is of prime importance to meet the broader issue—the pressure for the curtailing of immigration. Its advocacy must be based, necessarily, on one of two assumptions —that, in spite of all present safeguards, part of the present influx is unfit to enter this country, or that there is no longer an opening here for the labor seeking admission.

In maintenance of the first proposition, it is alleged broadly that our foreign-born population shows a higher percentage of criminality than the native born; that the immigration from Southern Europe is more burdensome proportionately to our prisons and asylums than the immigration from Northern Europe; and that these immigrants are the makers of the slums of our great cities and are largely thriftless and unprogressive. These are too common impressions through prejudiced and misinformed disparagement, but records of unquestionable authority demonstrate that none of these assertions is correct.

The Immigrant and Crime.—In view of the services of the immigrant in upbuilding this country, there might be some just palliation of a percentage of law breaking in excess of that of the native born. The immigrant has not been reared in conformity with our laws and social restrictions and has been negligently housed in the slums. Yet in spite of our slum traps it does not appear that the record of the immigrant needs any special consideration. Hastings H. Hart, General Secretary of the National Conference of Charities and Correction, has contributed a notable demonstration of the comparative criminality of our foreign and native-born population, in a communication to the *American Journal of Sociology* for November, 1896.

Mr. Hart shows from the United States Census returns (*a*) "that as a matter of fact the foreign-born population furnishes only two-thirds as many criminals as the native-born; (*b*) that while it is true that the native-born children of foreign-born parents furnish more criminals proportionately than those whose parents are native born, yet in more than half the States the showing is in favor of the children of the foreign born; (*c*) that the combined ratio of prisoners of foreign birth and those born of foreign-born parents to the same classes in the community at large is only eighty-four per cent. of the ratio of native-born prisoners to the same class in the community at large."

A common error arises, as he notes, "from comparing the criminal population, foreign and native, with the whole of the general population, foreign and native. The young children of the community furnish practically no prisoners, and nearly all of these children are native born, whether the parents are native born or not. The consequence is that Mr. Hawes has not only given the native population credit for its own children, who are not criminals, but has taken the native-born children of foreign parents, adding them to the native-born population and counting them against their own parents."

"Of the prisoners of the United States 98.5 per cent. are above the age of sixteen years; 95 per cent. are above the age of eighteen years; and 84 per cent. are above the age of twenty-one years. The native-born population of the United States in 1890 numbered 53,390,600; the native-born prisoners 65,977; ratio 1235 in a million. The foreign-born population numbered 9,231,381; the foreign-born prisoners 16,352; ratio 1,744 in a million; an apparent excess of foreigners over native of 41 per cent. But the number of native-born males of voting age was 12,591,852; native-born male prisoners 61,637; ratio 4,895 in a million. The number of foreign-born males of voting age was 4,348,459; foreign-born male prisoners 14,287; ratio 3,285; showing an actual excess of natives over foreigners of 50 per cent."

The accuracy of Mr. Hart's conclusions has since been sustained by a number of independent inquiries of less extended range embracing the ascertainable returns of a number of States whose records are most complete and reliable. The basis of his reckoning of parent-

age is criticized in the statistical report of the United States Industrial Commission on Immigration transmitted to Congress on December 5th, 1901, but his general conclusion is affirmed as follows, viz.: "From this table it will be seen that taking the United States as a whole, the whites of foreign birth are a trifle less criminal than the total number of whites of native birth."

In the report of the Commission there is further noted very significantly the nationality which has contributed far more largely than any other to raise the average of the criminality and pauperism of the foreign born:

"Taking the inmates of all Penal and Charitable Institutions we find that the highest ratio is shown by the Irish, whose proportion is more than double the average for the foreign born, amounting to no less than 16,624 to the million."

There are, unfortunately, too few States that have taken pains to secure and record exact statistics of crime and pauperism for the comparison of nationalities and birth. Among these few is the State of Indiana, and the report of State Statistician Johnson for 1902 significantly shows that a common impression as to the relative criminality of the foreign born is by no means a reliable guide for restrictive legislation. In this report it is noted: "The great majority of Indiana evil-doers who find their way eventually to the State Prison and Reformatory are American born. In the State prison, out of 751 convicts, 531 are white Americans and 122 American negroes, 48 Irish, 27 Germans, 7 English, 4 French, 3 Scotch, 1 Welsh, 1 Russian, 1 Pole, 1 Belgian."

"At the Reformatory at Jeffersonville, with 919 inmates, 696 are white Americans, 191 American negroes, 10 Germans, 2 French, 3 Canadians, 8 English, 1 Scotch, 1 Belgian, 1 Swiss and 2 Irish."

There is a further special contention of the Immigration Restriction League, bearing most severely upon the Italian immigrant, that a "parallelism exists between the criminal tendencies and the illiteracy of the same races." In addressing the Senate Committee on Immigration of the last Congress, Prescott F. Hall, Secretary of this League, cited in support of his contention a tabulated statement from the Twenty-fourth Annual Report of the Massachusetts Prison Commissioners for the year ending September 30th, 1894.

The conclusion which he sought to draw from this report was opposed on the floor of the Senate in December, 1896, by Senators Gibson, Caffery, and others, and the general character of the filtered immigration was attested in particular by an extract from a report of the Commissioner General of Immigration for the year 1895–6 as follows:

"It is gratifying to me to be again able to report to you that I know of no immigrant landed in this country within the last year who is now a burden upon any public or private institution.

"With some exceptions the physical characteristics of the year's immigration were those of a hardy, sound laboring class, accustomed and apparently well able to earn a livelihood wherever capable and industrious labor can secure employment."

There was, however, no direct challenging of the statistical prop of the Immigration Restriction League and its inference until it was picked up and shaken by Samuel J. Barrows, Secretary of the Prison Association of New York, on December 9th, 1902, in a hearing given by the Senate Committee on Immigration. "The Italian people," said Mr. Barrows, "as a whole are a frugal and industrious people. In our statistics we sometimes make discriminations against them that are not correct. We had an illustration of this in Massachusetts. A report was prepared by the Immigration Restriction League which was based upon the criminal record of the Italians in Massachusetts, leaving out all crimes which had been produced through intoxication. That is the way that ingenious plan of statistics was drawn. So they tried to make out a bad case against the Italians.

"Now Massachusetts is the one State in the Union that has made the most thorough examination of the whole question of the relation of intemperance to crime, and the report on that subject in 1895 by the Bureau of Labor Statistics there shows that about 87 per cent. of all the crime in Massachusetts grew out of intemperance in some form. When you take then the Italian population of Boston and of Massachusetts, and ask how many of those people were imprisoned or arrested or committed crime because of intemperance, you find that they rise away above all the Northern races—that is, commit fewer crimes from this cause. The Italian people are a temperate people, and while in Massachusetts three in a hundred of the North-

ern races, including the Scotch, the Irish, the English and the Germans, were arrested for intemperance, only three in a thousand of the Italians were arrested. What a remarkable bearing that has upon desirability and availability."

The evidence of Mr. Barrows is further specifically attested in the report of the United States Industrial Commission on Immigration, covering the tables compiled by the Prison Commissioners of Massachusetts, referred to by Mr. Hall. This report states: "It appears from the table that of prisoners committed to all institutions in proportion to a thousand population of the same nativity those born in Massachusetts numbered 7.5 per thousand, but that, omitting those committed for intoxication, the number is 2.6 per thousand. Below this proportion stand immigrants from Portugal, Austria, Germany, Russia and Finland. The leading nationality above this average is that of the Irish, whose commitments per thousand were 27.1, but omitting intoxication was 6. Next in order of commitments are Welsh, English, Scotch, and Norwegians, all of which show a large predominance of intoxication. The Italians are a marked exception, the commitments numbering 12.9 for all causes, and 10 for causes except intoxication.

The Immigrant and Pauperism.—An allied contention of the Immigration Restriction League is the rolling up of the burden of pauperism through the influx of Southern Latin immigration. As Massachusetts has been picked out by preference on the basis of its exhibit, invidiously distinguishing the Italian immigrant, Massachusetts authority of unimpeachable character is here cited in flat contradiction of this assumption.

In the Twenty-third Annual Report of the Associated Charities of Boston, November, 1902, it is stated:

"The variation in the number of Italians applying for assistance is interesting: 54 families came to us in 1891, and only 69 in the last year, though the Italian population of this city has in the meantime increased from 4,718 to 13,738. This fact seems to corroborate the report of Conference 6 (embracing the North-End District or Italian quarter), which described the Italian immigrant as usually able to get on by himself except in case of sickness, when temporary help is needed."

It is obvious that this report marks not only a low rate of

pauperism but a very material decrease in the percentage of applicants for charity in the face of the much decried influx during the closing years of the last century.

The report of District 6 Conference, referred to in the above summary, remarks: "As the Italian families so largely outnumber the others, and as the Italian element is now predominant in the district, it is worth while to note the chief causes of extreme poverty.

"We observe that intemperance is not found as a chief or as a subsidiary cause in any of this year's list of Italian families. Sickness was the leading chief cause (10) and also the leading subsidiary cause (9); next in order, come the following chief causes: lack of employment due to no fault of employee (4); physical or mental defects (2); roving disposition (3); dishonesty (2); disregard of family ties, lack of training for work, and lack of thrift (1 each).

"If any general inference is fair from so small a number of cases, it is that the Italian families referred to us have not been in the greatest distress. The majority of the Italians are apparently fairly thrifty and those who have trouble are often helped by their countrymen. The little that we have been called upon to do has in some cases set a family at once upon its feet."

The assumption that illiteracy is a prolific source of pauperism is not sustained by the examination of cases known to this Conference, so far, at least, as the Italian immigrant is concerned. "In the matter of illiteracy," the Conference of District 6 states, "we can give positive information about only 45 of the 68 families (applying for aid)—mostly Italians." The record shows 32 Italian families, with 64 parents born in Italy. "Among heads of these families, we find 32 who can read and write; 2 who can read and not write, while 11 can neither read nor write."

As to the burden imposed by recent arrivals the report of Conference 4 is noteworthy: "We found that none of the new arrivals (needing help) were recent immigrants and that almost all of the parents were born in the United States or Great Britain."

Another exact and authoritative record giving an exhibit of pauperism in New York City and its distribution by nationalities is presented in the Thirty-fifth Annual Report of the State Board of Charities of New York, containing the proceedings of the New York State Conference of Charities and Correction at the Second Annual

Session held in New York City, November 19th, 20th, 21st, and 22d, 1901. At this Conference an address on "The Problems of the Almshouse" was given by Hon. W. Keller, President of the Department of Public Charities of the City of New York. In the course of his discussion the following table was presented showing the nativity of persons admitted to the Almshouse in 1900:

	Male.	Female.	Total.
United States	355....	199....	554
Ireland	808....	809....	1,617
England and Wales	111....	87....	198
Scotland	25....	14....	39
France	19....	2....	21
Germany	290....	84....	374
Norway, Sweden and Denmark	22....	6....	28
Italy	15....	4....	19
Other countries	50....	36....	86
Total	1,695....	1,241....	2,936

"Out of a total of 2,936 only 554 were born in the United States; 2,382 were foreign born, and of this number 1,617 were born in Ireland alone."

The determination of the general distribution of pauperism by nationalities has been made in the report of the United States Industrial Commission on Immigration transmitted to the Fifty-seventh Congress. "The proportion of the nationalities among the paupers in our almshouses varies very greatly. The Irish show far and away the largest proportion, no less than 7,550 per million inhabitants, as compared with 3,031 for the average of all the foreign-born. The French come next, while the proportion of paupers among the Germans is somewhat unexpectedly high. The remarkably low degree of pauperism among the Italians is possibly due to the fact that such a large percentage of them are capable of active labor, coming to this country especially for that purpose."

These citations are not made with the design of casting any particular reproach upon the Irish nationality, but simply to correct a prevalent impression discrediting the influx of the Southern Latin races and the alleged relation of illiteracy to pauperism, for it is morally certain that the alleged "educational test" would not

to this country. There has been a very considerable attraction of Italians already to the sugar cane plantations, and the influx to the Southern States should grow with the extending familiarity of the immigrants and the rising appreciation of their peculiar adaptation for varied plantation service. Even if the South continues to draw largely from the North and West, as at present, instead of enlisting the newcomers directly, the drain of older settlers must be filled by immigration or the North will suffer.

There is further an expanding demand for the heavy outdoor labor of the recent immigrant in the extension of public works of all kinds, railway building, etc. These elemental undertakings in industrial development are necessarily dependent on the certainty of the supply of willing and sturdy labor, and their progress will inevitably be checked by any shrinkage of this supply. It is apparent that the effect of this employment and the consequent development of the country should be to expand the demand for workers in every line of industry. Hence the entry of immigrants does not operate to exclude American laborers now here from profitable occupation, but surely in the long run to increase the demand for their labor.

II. The Government Regulation of Banks and Trust Companies

(Continued)

The Relation of Trust Companies to Industrial Combinations, as Illustrated by the United States Shipbuilding Company

By L. Walter Sammis, Esq., Editorial Staff New York "Sun"

THE RELATION OF TRUST COMPANIES TO INDUSTRIAL COMBINATIONS, AS ILLUSTRATED BY THE UNITED STATES SHIPBUILDING COMPANY

By L. Walter Sammis, Esq.
Editorial Staff New York *Sun*.[1]

The industrial combinations of to-day are not the simple result of business conditions; neither are they, as they actually exist, the simon-pure offspring of economic principles. Trusts are made, not born. They are in part creatures of invention which find their origin in the brain of the promoter whose inventive faculties are stimulated by the desire for unearned wealth. "Necessity is the mother of invention," even as applied to the invention of a trust, but the necessity in this case is not a necessity created by economic laws, but the necessity of the promoter.

Trust companies and similar institutions sometimes bear the same relation to industrial combinations as manufacturers do to the product of the mechanical or scientific inventor's brain. They produce it, place it on the market, and find purchasers for it, compensating themselves, by getting the largest obtainable profit for the least possible risk or responsibility.

Through the protracted legal proceedings against the United States Shipbuilding Company, the public has had an opportunity to observe the methods by which an industrial combination was actually financed.

My purpose is to produce a photograph of how it was done, not a thesis on how it should be done.

[1] I deal with this topic in my personal capacity, and not in any sense as representing any other body or bodies of men, and without reflecting the views of any one else.

It is my good fortune to be a member of the editorial staff of the New York *Sun*, but it must be distinctly understood that neither the substance nor the language of this article has been submitted to any of my associates, nor is the New York *Sun* in anywise responsible for my statements.

It is important that my position shall be clearly understood as to combinations of capital, commonly called trusts, and also as to "trust companies," both actual and nominal.

Whatever may be said in this article with reference to the *morale* of the Shipbuilding Trust must not be understood as defining, or even reflecting my attitude towards all combinations. I do not take the position that the combination movement in itself is bad, nor that all combinations are evil-producing in their results; and it is too palpable to require affirmation, not only that trust companies were originally fiduciary institutions, but also that many of them remain so, in the true sense of the word, to-day.

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It is important that my position shall be clearly understood as to combinations of capital, commonly called trusts, and also as to "trust companies," both actual and nominal.

Whatever may be said in this article with reference to the *morale* of the Shipbuilding Trust must not be understood as defining, or even reflecting my attitude towards all combinations. I do not take the position that the combination movement in itself is bad, nor that all combinations are evil-producing in their results; and it is too palpable to require affirmation, not only that trust companies were originally fiduciary institutions, but also that many of them remain so, in the true sense of the word, to-day.

The United States Shipbuilding Company was incorporated under the laws of the State of New Jersey, by dummies furnished for the occasion, on June 17, 1902, with a subscribed capital of $3,000. On July 3d following, the capitalization was, on paper, increased to $45,000,000 in stock and $26,000,000 of bonds. On the 11th and 12th of August the United States Shipbuilding Company purchased the Union Iron Works, the Bath Iron Works, Limited, The Hyde Windlass Company, The Crescent Shipyard Company, The Samuel L. Moore & Sons Company, The Eastern Shipbuilding Company, The Harlan & Hollingsworth Company, The Canda Manufacturing Company and the capital stock of the Bethlehem Steel Company, paying for them $6,000,000 in cash, $14,050,000 of bonds and $28,000,000 of stock. The entire amount of securities disposed of to acquire these companies and to provide $1,500,000 working capital and to pay the profits of the various persons and institutions concerned in the promotion amounted, at par value, to $69,500,000. For this $69,000,000 of securities the combination received, besides the required cash working capital of $1,500,000, constituent companies which, omitting the Bethlehem Steel Company, were valued later by competent men at $12,441,518.26. The Mercantile Trust Company was the Trustee under the first mortgage on the Shipbuilding plants, securing $16,000,000 of bonds and the New York Security and Trust Company was the Trustee under the mortgage on the capital stock of the Bethlehem Steel Company, which was also a second mortgage on the Shipbuilding plants, securing $10,000,000 of collateral mortgage bonds.

The Trust Company of the Republic was banker for the issue of the bonds, and, through its President, advanced large sums of money, much of which was obtained by borrowing on Shipbuilding securities. When the crash came the Trust Company of the Republic was able to figure up a cash loss of $982,334.

With the fall of the United States Shipbuilding Company my story has nothing to do. My theme is the methods by which it was established, false and insecure as that establishment was, and my story must end at the point where it was left to stand alone, for at that point it reached its meridian.

To a full understanding of the matter it is necessary to take up the tale at the beginning.

John W. Young was a promoter who had the idea that it would be a good stroke of business to combine the leading shipbuilding industries of the country into one gigantic corporation, and had worked out a theory by which it could be done with much profit to the promoters.

Young's idea was good, but his method, which he made inseparable from his idea, was bad. After many futile attempts, he succeeded in finding a group of men who accepted his theory, and using it as a base, constructed thereon a condition which they called a trust, and which was incorporated under the name of the United States Shipbuilding Company. The theory was impossible; the condition was untenable; the trust, as it was manufactured, was impracticable, and the United States Shipbuilding Company was insolvent.

The financial world was absorbed at the time in creating industrial combinations, some of which were either actually bankrupt or were on the verge of bankruptcy, inflating values and watering stocks, successfully offering new securities to a public eager to buy them and finally dividing with promoters and vendors profits which, even in that era of inflation, were considered enormous. Young got his first start when he met Lewis Nixon.

Mr. Lewis Nixon had been a constructor in the United States Navy but had resigned from the service to engage with the Cramps. As a naval constructor he designed the *Oregon*, the *Indiana* and the *Massachusetts*, and these vessels established his reputation as one of the ablest shipbuilders in the world. Five years, at least, before he met Young he had leased the Crescent Shipyards at Elizabethport, N. J., and later acquired various properties until he had bought all the available waterfront adjacent to the original shipyards property. Subsequently he organized the Crescent Shipyards Company, and this was capitalized for $1,200,000. Young interested Nixon by showing him an option for the purchase of the Newport News Shipbuilding and Dry Dock Company, and Nixon gave Young an option on his own plant and agreed to work with him in forming the proposed combination. This was the start. Young now had two options and the name and reputation of the greatest shipbuilder of the United States to work with.

He had the co-operation of Col. John J. McCook, a director in

the Mercantile Trust Company and as well an active partner of the law firm of Alexander & Green, counsel for the Mercantile Trust Company, counsel for the United States Shipbuilding Company, and from time to time counsel for Nixon and Dresser as the Shipbuilding Syndicate. Col. McCook, as he has told me, became intensely interested in the proposed combination and did all he could to accomplish it. Young occupied a room adjacent to the offices of Alexander & Green, and Alexander & Green, Col. McCook and Young worked in unison. Options on other shipbuilding companies were obtained and the plan was submitted to the banking house of H. W. Poor & Co., on Wall Street, which finally consented to become banker for an issue of bonds and a prospectus was prepared. The companies which were then to be included were substantially the same as those which finally entered it. The prospectus was ready for issue on May 7, 1901, but on that day occurred what is known as the Northern Pacific panic, and the pamphlets were not distributed. Some say this was because of the panic; others that it was because no satisfactory report could be obtained of the annual earnings of the constituent companies. Whatever the reason, the project fell flat and Poor & Co. did not attempt to revive it. The promoters had all their work to do over again. For nearly a year they tried unsuccessfully to get other financial houses to assume the undertaking. Meanwhile, they succeeded in renewing some of their options.

On the 31st of March, 1902, the Trust Company of the Republic opened its doors for business at 346 Broadway. Its capital was $1,000,000, and its surplus $500,000. The Trust Company of the Republic proposed to deal with cotton growers in the South, who are accustomed to borrowing money at the New York legal rate of interest plus a bonus. It intended to lend money to the cotton people against crops stored in warehouses, at the legal rate of interest and without bonus, and to borrow money in the North against these crops and on other securities which it should accumulate. The opportunities for a large and lucrative business were bright and alluring. The new Trust Company had among its organizers and directors men whose names stood then and stand to-day for strength and probity in the world of finance.

As the head of this concern whose future promised so much,

the directors selected Daniel LeRoy Dresser. Mr. Dresser was a merchant, not a financier.

However, here was a new Trust Company, anxious for business, with a man inexperienced in financial affairs at its head. In the same city were an eager promoter and a firm of lawyers, who had for a long time used every effort to obtain the support of a financial institution in their joint project without success. Such a combination has its possibilities. These were sufficiently attractive for Mr. Young, the promoter, to seek an alliance with Mr. Dresser. He succeeded, but not until it had been made apparent to Mr. Dresser that Col. John J. McCook was associated with Young, in the plan which he had to propose. The subject of the United States Shipbuilding Company was not at first broached to Mr. Dresser by the promoters. He was told of a syndicate of French bankers who desired to trade in American industrial securities and do their trading on this side of the Atlantic so that they might avoid the tax to which such transactions are subject when accomplished within the jurisdiction of the laws of France. It was represented to Mr. Dresser that the syndicate had been formed and was waiting only to make a connection with a responsible and reputable house in the United States. Profits derived from business which they should transact together were to be divided equally.

This seemed to Mr. Dresser to be an excellent opportunity for the Trust Company of the Republic, especially since the capital of the French Institution was represented to be 20,000,000 francs, and before the Trust Company of the Republic was a month old the preliminary arrangements for a working agreement had been completed and put in writing. Before binding agreements were attempted, however, the matter of the French banking house, of the existence of which no conclusive proof has been adduced, was dropped, and the plan for forming a shipbuilding combination was substituted. Exactly how this was accomplished it is almost impossible to determine. The truth is difficult to ascertain when the statements of the individuals most interested vary so widely. As a matter of fact, though, while negotiations concerning the French banking house were still uncompleted Young sailed for Paris, leaving his affairs in the hands of his laywers. This was on April 22, 1902.

Mr. Young was absent on this trip to Paris about three weeks, returning to America about May 15th. During his brief stay in this country, before he took his second trip to Paris, copies of a prospectus dated April 19, 1902, and marked "Private and Confidential," for the consolidation of the shipbuilding plants under the name of the United States Shipbuilding Company appeared, with the name of the Mercantile Trust Company as trustee of the mortgage and Alexander & Green as counsel.

Mr. Dresser was asked to take up the matter of exploiting the United States Shipbuilding Company. A memorandum was shown to him, setting forth the profits which were to be derived from the successful performance of this work. Mr. Dresser agreed that the Trust Company of the Republic should act as banker, its name was inserted and the prospectus was "confidentially" issued.

The original proposition was to issue $16,000,000 of bonds and $20,000,000 of stock, divided equally into common and preferred shares. This was before the Bethlehem Steel Company was considered.

A digest of the memorandum shows that it was proposed to dispose of $9,000,000 of bonds, $2,500,000 of preferred stock and $2,500,000 of common stock in order to realize $8,100,000 in cash. Of the cash and securities then remaining and in hand $6,400,000 in cash, $4,050,000 of bonds, $4,000,000 of preferred stock and $4,050,000 of common stock were to be paid to the owners of the properties to be acquired, leaving $1,700,000 cash, $2,950,000 in bonds, $3,750,000 of preferred stock and $2,750,000 in common stock. Of this, $1,500,000 in cash and $1,500,000 of bonds were to be retained in the treasury of the proposed combination for working capital. This left $200,000 cash, $500,000 bonds, $3,750,000 preferred stock and $3,750,000 common stock—a grand total of $9,150,000, figuring the securities at par value—to go to the promoters. From it they were to defray the expenses of promotion. Before the constituent properties were purchased, however, $400,000 cash was added to this profit by reducing the aggregate price to be paid for constituent companies to $6,000,000. The underwriting contract was with, and ran to the Mercantile Trust Company.

The Trust Company of the Republic was asked to obtain $3,000,000 of the $9,000,000 of underwriting and was assured that

the remaining $6,000,000 was obtained or would be obtained, in Paris and London. In a letter written to the Trust Company of the Republic later John W. Young promised that its compensation should be $67,000 in cash, $250,000 in bonds, $700,000 in preference shares and $700,000 in common shares. This was large bait, and it was swallowed. The hook made its presence felt later.

From this time on Mr. Dresser, acting for himself and for his company, worked with Lewis Nixon in promoting the combination. When Young sailed for Paris he left his options, which were made to Lewis Nixon as trustee, with Alexander & Green and gave Mr. Nixon power of attorney over them. Young left also a tender of all the companies which were to be included in the combination. The Trust Company of the Republic desired some further information than was contained in the prospectus, and one W. T. Simpson, the accountant upon whose figures the prospectus was based, was sent to Mr. Dresser. The accountant succeeded in showing Mr. Dresser and his advisers that the companies to be taken in were in good condition and that to combine them was desirable. The Trust Company of the Republic then took up the favorable consideration of the tender of the companies which were to form the trust.

By the terms of the underwriting agreement the $9,000,000 of bonds were to be underwritten at 90 and each underwriter was to receive as a bonus 25 per cent. of his underwriting in each kind of stock. A public offering was to be made of the underwritten bonds at 97½, and the difference between this and the underwriting price was to be shared *pro rata* among the underwriters, less expenses of advertising, etc.

Just at this time the agitation for a subsidy on American-built ships had reached its height and the measure before Congress seemed certain to succeed. English companies were casting something more than longing eyes in the direction of our shipyards in consequence, and were making substantial efforts to form such a combination as Young proposed. On the surface, with two-thirds of the bonds to be underwritten abroad, the plan seemed certain of success—and the profits to accrue to the principals in the undertaking were most enticing. The Trust Company of the Republic agreed to undertake that portion of the labor assigned to it and obtain $3,000,000 of underwriting. It did this more willingly

since word had been received from Young in Paris, that he was succeeding and that the underwriting allotted to the French capital would be completed in a few days.

The investing and speculating public had, seemingly, recovered tone and was at least supposed to be ready again to absorb securities of industrial combinations. It was not apparent at that time that the market was in the condition so excellently described by the most successful reorganizer the country, perhaps the world, has ever seen—glutted with undigested securities. Promoters and underwriters alike prophesied an easy sale for the bonds and a correspondingly easy reaping of profits.

The Trust Company of the Republic performed its share of the labor without great difficulty, for the prospect of a large bonus of stock without the investment of a dollar appeals to underwriters. Indeed, so good did the proposition seem that $320,000 of bonds were paid for by the underwriters and withdrawn from the public offering, and $2,500,000 was represented to have been sold abroad.

When Young went to Paris, ostensibly to attend to the matter of the French bank, but really to obtain underwriting for the Shipbuilding Company, he found no difficulty in accomplishing his purpose so far as obtaining names was concerned. He had been in Paris before on promotion enterprises and had among his acquaintances a certain Baron P. Calvet-Rogniat. Him he enlisted in the undertaking, and when he returned to New York in the middle of May he brought a written contract in which the Baron agreed to obtain $3,000,000 of underwriting in France.

Rogniat's undertaking was as follows:

"PARIS, May 7, 1902.

JOHN W. YOUNG, Esq.,

DEAR SIR:

In consideration of the premises I for myself and as the representative of a group of financiers headed by Mr. Victor Schreyer, hereby undertake and agree to obtain the signatures of said group of *substantial underwriters* (*who are good, and who have agreed to underwrite the same*) to the underwriting letter of the UNITED STATES SHIPBUILDING COMPANY, a copy of which is hereto attached, dated April 19, 1902, to the full amount of three millions five hundred thousand dollars of the bonds of said company on or before May 21st properly verified, the same to be cabled to Messrs. Alexander & Green, 120 Broadway, New York City, on or before that date.

I also undertake and agree to procure either the withdrawal of said bonds under the terms of said underwriting letter; or the public issue of said bonds under the terms of said letter through either the Franco-Swiss Bank of Paris or other equally substantial bank, simultaneously with the public issue of the said company's bonds in America, it being understood in accordance with clause one of the said underwriting letter that this agreement shall not be binding upon the undersigned unless the entire amount of $9,000,000 of bonds shall have been underwritten.

Yours truly,
P. CALVET ROGNIAT."

Rogniat and those who were associated with him in Paris obtained names to this underwriting agreement and nominal subscriptions for this amount and more. It was easy to do so because a list of names signed to the underwriting agreement seemed sufficient. The element of responsibility was not closely inquired into nor thought essential.

Representations were made to prospective underwriters there that the American public was eager to buy the securities of industrial combinations, and that all that was required was a list of names with amounts set opposite to each which should aggregate $3,000,000; that the securities would find a ready market here, and that the issue of $9,000,000 would be oversubscribed. This, it was explained, would leave the underwriters in the enviable position of taking profits without investing a single franc. This is usually, of course, the ideal of an underwriter, but it is customary, even in Wall Street, for an underwriter to be able to meet his obligation.

So far as can be ascertained few substantial Parisians placed their names on the agreement. Strenuous efforts which were made later to compel these underwriters to pay their obligations failed absolutely, except that the Baron Rogniat did contribute $25,000, for the recovery of which amount he has brought suit against the Mercantile Trust Company. A total of $4,250,000 was underwritten in this manner in the French capital and a list of the names obtained was forwarded.[2]

Mr. Dresser, who obtained the underwriting allotted to him, was advised by Col. McCook that because of the coronation preparations which were being made in London it had been found impos-

[2]For an article on the "History of the French Baron-Underwriter," see the New York *Evening Post* of January 6, 1904.

sible to conclude arrangements for obtaining the $3,000,000 of underwriting which had been assured from the English capital. Mr. Dresser was asked if he would undertake to obtain here an additional $1,750,000. The list sent by Rogniat indicated that Paris would take $4,250,000, which left only $1,750,000 of the foreign underwriting to be secured. Mr. Dresser agreed to perform this extra work. The burden was being shifted gradually to the shoulders of the Trust Company of the Republic. The proposition contained in the cable (*q. v.*) of Mr. Alexander from France, to Alexander & Green, New York, to assign the underwriting to the Trust Company of the Republic was significant.

The bonds of the United States Shipbuilding Company were offered to the public on June 14, 1902. On that date a prospectus was published in the public prints which stated what was not true. The question whether the responsibility for this prospectus rests with the Trust Company of the Republic or with the Mercantile Trust Company or with both is before the courts.

The prospectus stated, among other things, that the United States Shipbuilding Company had been organized under the laws of the State of New Jersey, and mentioned as directors a number of responsible men. It goes without saying that these gentlemen were not directors, because the company had not yet been incorporated. Some of them say they were not consulted about the use of their names, and only four of them ever served as directors when the company was organized some months later. The prospectus went on to say that Alexander & Green, counsel for the new company, certified as to the validity of the organization and of the securities issued and the title of the company to the property acquired. It stated that the plants were earning $2,250,000 a year and had abundant facilities for additional work and increased earnings. On June 18th the books were opened for subscriptions in twelve cities in this country, and in Paris, and the fishermen sat back and waited for the public to take the bait.

The response was not only discouraging; it should have been fatal. The public sent subscriptions for only $490,000 of the bonds. This was again a period where the Trust Company of the Republic should have thrown the undertaking overboard and charged the expense it had incurred to profit and loss, but they seemed to have

relied upon the French underwriting. The public did not rise to it, the underwriters generally did not want it sufficiently to take their bonds before they were offered at public sale, and the whole thing was flattening out.

The promoters turned to Bethlehem (not in the scriptural sense) for salvation.

On June 12, 13 and 14, 1902, Mr. Dresser and Mr. Nixon discussed with Charles M. Schwab, then President of the United States Steel Corporation, the advisability of acquiring the Bethlehem Steel Company for the Shipbuilding Company, and submitted to him financial statements of the shipbuilding plants, their resources, liabilities and earnings. The Bethlehem Steel Company was prosperous and remunerative and, besides, would place the United States Shipbuilding Company, if acquired by the combination, in the enviable position of being able to build armored vessels and thus compete for government work.

Some idea of the value and importance of this company can be learned from the earning capacity of the property. At the time of its transfer to the Shipbuilding Company, it was earning at the rate of $1,500,000 a year, and is now earning, I am informed, at the rate of $3,000,000 a year. The interest charges on the underlying bonds make the only fixed charges of $557,500, which would leave substantially, at the present rate of earning, for distribution upon the securities issued on account of that property 5 per cent. on the $10,000,000 of bonds, 6 per cent. on the $10,000,000 of preferred stock and 14 per cent. on the $10,000,000 of common stock.

Mr. Schwab asked for the Bethlehem Steel Company $9,000,000 in cash, besides a certain amount of securities. The cash was, of course, out of the question. The promoters had peddled all the securities for which they could find a market and did not see their way clear to sell outright bonds against the Bethlehem Steel Company, which was the only way in which they could raise money to pay the demand of Mr. Schwab. They proposed therefore to pay for the Bethlehem Steel Company with securities issued against that plant itself. Mr. Schwab told them that Mr. J. P. Morgan, who was then in Europe, would have to be consulted, because J. P. Morgan & Co., as managers of another syndicate, held the stock of the Bethlehem Company and were entitled to participation

in any profit realized from such a sale. Mr. Morgan was communicated with by cable and an answer was received. In the afternoon of June 14, 1902, Mr. Nixon and Mr. Dresser closed the negotiations for taking the Bethlehem Steel Company.

Nixon and Dresser agreed that Mr. Schwab should receive $10,000,000 collateral mortgage bonds and $10,000,000 of each kind of stock, $30,000,000 in all at par, for the capital stock of the Bethlehem Steel Company. Later the common stock was increased by an additional $5,000,000. By this method it was proposed to increase the capitalization of the Company, advertised as $20,000,000 with $16,000,000 bonded indebtedness, to $45,000,000 stock and $26,000,000 bonded indebtedness.

After the negotiations for the Bethlehem property were concluded, Mr. Schwab called in his counsel, Mr. Max Pam, to prepare the necessary contracts. This was Mr. Pam's first connection with the matter.

On June 17th, three days after the prospectus was published, the United States Shipbuilding Company was incorporated in New Jersey by an officer and two employees of the Corporation Trust Company with a capital of $3,000. These men acted as directors also, taking their instructions from the promoters. In July the capital of the company was increased to the amount I have already mentioned, a dummy board of directors having been furnished for this purpose.

On July 2d Mr. Nixon and Mr. Dresser went to Mr. Schwab's office to sign the formal agreement under which they were to take over the Bethlehem Steel Company. They contracted to pay to J. P. Morgan & Co., as syndicate managers, $7,246,871.48 in cash and $2,500,000 of each kind of stock of the Shipbuilding Company for the 299,910 shares of the Bethlehem Company which were held by J. P. Morgan & Co. as syndicate managers. This was the entire issue of Bethlehem stock, with the exception of ninety shares. The par value of each share was $50. In order to get the money with which to pay J. P. Morgan & Co., Mr. Nixon and Mr. Dresser signed with Mr. Schwab an agreement which assured to them this cash requirement.

Under this agreement Mr. Schwab contracted to furnish the cash necessary to acquire the stock of the Bethlehem Steel Company

and to accept in return $10,000,000, par value, 5 per cent., twenty year collateral gold bonds, and $7,500,000 of each kind of stock of the United States Shipbuilding Company. The mortgage on which the bonds were to be issued was to be a second mortgage lien upon the properties of the Shipbuilding Company and to have a voting power equal to the same amount of stock, although the first mortgage on the constituent companies was not to cover the Bethlehem Steel Company. The shares of the Bethlehem Steel Company, acquired thus with Mr. Schwab's money, were to be deposited with the New York Security and Trust Company as security for the mortgage; the Shipbuilding Company was required to guarantee a dividend of 6 per cent. on the capital stock of the Bethlehem Company; to provide the Bethlehem Company with work sufficient to earn this dividend, or to advance the money therefor, and to see that the Bethlehem Company should always have the $4,000,000 working capital which it then claimed to have.

It was also agreed that the holders of the collateral bonds in the absence of any default should elect a full minority of directors of the Bethlehem Steel Company. The form and provisions of the bonds to be issued under this agreement were to be satisfactory to Mr. Schwab and his counsel, and the deal was not to be concluded until the other constituent companies had been duly acquired and paid for.

Mr. Schwab and Mr. Pam have been criticised severely for making the terms of this contract stringent. I asked Mr. Pam recently why Messrs. Nixon and Dresser agreed to the terms of that contract, and he replied that the terms of the contract were not unreasonable; that they were intended to protect Mr. Schwab against any untoward contingencies; that the agreement was submitted by Messrs. Nixon and Dresser to their counsel and was fully discussed and passed on by their counsel before being signed by them; that the terms of the agreement were assented to and the contract signed after conference and negotiation between himself and Messrs. Nixon and Dresser and Messrs. Alexander and Green, who, in this matter, were acting as Nixon and Dresser's counsel.

Mr. Alexander, while abroad, had gone to Paris to see if any money could be collected from the underwriters there, but he

apparently found them averse to paying anything. In the first place, they are reported as saying they had been induced to underwrite by being told that payment would never be expected; in the second place, after the pitiful failure of the public offering, a cable was sent to Paris saying that the public issue was a success. This the Paris underwriters interpreted as meaning that the entire $9,000,000 of bonds had been taken by the public and that nothing remained for them to do except to take their profit. They refused to accept Mr. Alexander's explanation that it was the custom in this country to call an issue a success, no matter how badly it had failed, and to peddle the bonds afterwards. The best Mr. Alexander was able to accomplish was to get the Frenchmen to give their notes for the amounts they had underwritten. These notes were to mature on October 6th. That the French underwriting was *nil* was not, however, admitted by the contracting parties. It was still carried as a good asset and counted as part of the underwriting.

Assurances were received from Paris, from time to time, reiterated, that the money from the French underwriters would be forthcoming.

On the 23d day of July, 1902, by cable, the French underwriting was called.

The calls were made by cable, possibly to avoid legal complications under French laws. The following cable is an example of the call:

"July 23, 1902.

ODERO,

C/o Panta [the cable address for Rogniat] Paris.

Have allotted you $8,000 bonds of the Shipbuilding underwriting. Pay Morgan & Harjes twenty-five per cent. on allotment July twenty-fifth. Upon payment we will issue negotiable receipt in New York to your order.

MERCANTILE TRUST CO."

A call was made in America at the same time.

The American underwriters had responded promptly to the call, and an inquiry from New York as to why Paris did not pay brought the following:

"PARIS, July 25th, 1902.

MACCOOK, N. Y.

All I hear indicates general response. Short notice creates slight delay.

Appreciate money must be in New York before August. Underwriters contemplate simultaneous payment. Have payments been made New York.

(Signed) BEATTY."

(Maccook was the New York cable address of Alexander & Green, and Beatty was the Paris cable address of C. B. Alexander.)

On the 5th of August, 1902, matters were approaching a crisis and the following was sent:

"NEW YORK, August 5, 1902.

OPPENHEIM, YOUNG AND MAYER,

C/o Trebor, Paris.

Can you not give us an exact statement of the present condition of payments by underwriters each for twenty-five per cent. due July twenty-fifth and August first respectively, and when cash remittances will be actually paid? We must know on account of commitments here, and so far have nothing except promises. Where is the hitch and why the continued delay after everything so far as we can gather from your cables is settled.

REPUBLICUS MACCOOK NIXON."

Finally on the 7th, the following cable was sent to Young:

"NEW YORK, August 7, 1902.

YOUNG,

C/o Trebor, Paris.

We are getting tired of promises to pay to-morrow. We must make our payments here and must have French money to do it with.

REPUBLICUS."

The following cables further explain the situation:

"NEW YORK, August 8, 1902.

CALVET ROGNIAT,

C/o Trebor, Paris.

Monday last day for closing Bethlehem. All other plants must be paid for before closing this transaction. It is absolutely essential to have your money in New York Saturday.

REPUBLICUS."

"NEW YORK, August 11, 1902.

CALVET ROGNIAT,

C/o Trebor, Paris.

No payments received to-day from French underwriters. Please cable immediately when money is to be in New York.

REPUBLICUS."

"PARIS, August 12, 1902.

REPUBLICUS, N. Y.

Rogniats Russian returns delayed yesterday; learn part arrived, he and others pay to-day; Schreyer and all seem now ready to pay. Know nothing of second call. Have wired Alexander to come here.

Our persuasion and his iron hand in velvet gloves of course will bring desired results.

YOUNG."

And finally we have this significant suggestion by cable:

"ST. MORITZ, AUGUST 13, 1902.

"MACCOOK." Alexander & Green, N. Y.

Suggest Mercantile assign to Shipbuilding Company call, who can sue or to Republicus with consent of Shipbuilding Co.

ALEXANDER."

As late as September 8th the theory was still current that there would be results from the French underwriting.

About the 6th of October, 1902, Mr. Dresser arrived at Paris and within a few days after his arrival cabled to the Trust Company of the Republic that the French underwriting was valueless.[3]

The Mercantile Trust Company was a party to the underwriting agreements, in manner as appears from the printed form of such agreements, and which is the same as the signed originals except that it contains the words "Private and Confidential" and the date "April 19, 1902," at the top. The printed form is as follows:

PRIVATE AND CONFIDENTIAL APRIL 19, 1902.

THE UNITED STATES SHIPBUILDING COMPANY.

A corporation to be organized under the laws of the State of New Jersey, either by that or some similar name, proposes to acquire the plants and equipment of the following concerns or their capital stocks, free from any liens:

THE UNION IRON WORKS, San Francisco, California.
THE BATH IRON WORKS, Limited,
AND Bath, Maine.
THE HYDE WINDLASS COMPANY,

[3]For detailed history of the cables and correspondence, see New York *Evening Post*, October 8, 1903.

What is reported to be Rogniat's version of the Shipyard transaction appears in the New York *World* of January 11, 1904.

The Crescent Ship Yard	
and	Elizabethport, New Jersey.
The Samuel L. Moore & Sons Company,	
The Eastern Shipbuilding Company,	New London, Connecticut.
The Harlan and Hollingsworth Company,	Wilmington, Delaware.
and	
The Canda Manufacturing Company,	Carteret, N. J.

UNDERWRITING AGREEMENT.

For $9,000,000 Series A First Mortgage, Five Per Cent. Sinking Fund, Gold Bonds, due 1932, part of an authorized issue of $16,000,000, Bonds of $1,000 each, $5,500,000 being Withdrawn from Public Issue for Disposal under the Vendors' and Subscribers' Contracts, and $1,500,000 being Reserved in the Treasury of the Company. Additional Bonds may be issued only for the Purpose of Acquiring Additional Plants and Equipment and for Improvements and Betterments, upon such Terms and Conditions as shall be Approved by the Holders of a Majority of the Bonds under the Present Issue Outstanding at the Time of such Approval.

We, the undersigned, agree, each for himself, with The Mercantile Trust Company, for itself and for the United States Shipbuilding Company, and to and with each other, to subscribe to, receive and pay for the amount of five per cent. first mortgage, sinking fund, gold bonds of the United States Shipbuilding Company of one thousand dollars each, set opposite our respective signatures hereto, at the price of $900 for each bond, 25 per cent. to be paid upon allotment and the balance upon the demand of The Mercantile Trust Company.

We further agree to receive and pay for any smaller amount than that subscribed for which may be allotted to us respectively.

The conditions of this underwriting agreement are as follows:

1 That this agreement shall not be binding upon the undersigned unless the entire amount of $9,000,000 of bonds shall have been underwritten.

2 That within such reasonable time as shall be fixed by The Mercantile Trust Company the said $9,000,000 of bonds (less any amount withdrawn by the underwriters as hereinafter set forth), will be offered to the public, through such banker or bankers or brokers as shall be designated by The Mercantile Trust Company, for subscription at not less than 95%.

3 With the consent of the Mercantile Trust Company, any other concern may be included in this combination, or others substituted therefor, provided the working efficiency or values are not lessened or impaired.

4 That, if the amount of bonds subscribed and paid for upon such public issue shall be at least equal to the amount of bonds so offered to the public, then all liability under this agreement shall cease.

5 That, in case the amount of bonds subscribed for upon such public offering shall be less than the total amount of bonds so offered to the public, or in case the bonds subscribed for upon such public issue shall not be paid for

at an amount equal at the rate of 95 %, to the total of such public offering that such deficiency in subscriptions and payments will, upon the demand of The Mercantile Trust Company, be made good by the subscribers hereto in the manner aforesaid pro rata in the proportion their subscriptions for bonds not withdrawn by them from public issue bear to the total amount of bonds offered to the public.

3. That each underwriter shall receive in preferred and common stock of the United States Shipbuilding Company, twenty-five per cent. of the par value of the bonds hereby underwritten in each kind of stock, and also the all the proceeds, not to exceed 5 %, realized from the sale of the bonds at public issue in excess of 90 %, after deducting issue expenses, shall belong to the underwriters.

4. That any underwriter shall have the option of withdrawing from the public issue any of the bonds hereby underwritten by him, provided that he notify The Mercantile Trust Company five days prior to the day fixed for the public issue, that he elects to purchase said bonds, provided that in the proportion of the bonds so purchased he waives his said right to participate in the cash proceeds realized from the public issue.

5. That no Underwriter shall sell or offer for sale the bonds so purchased nor any of the bonus shares of stock he receives, until twelve months after the date of payment, without the consent of The Mercantile Trust Company.

New York, April 19, 1902.

I have seen a printed copy of this mortgage dated August 1, 1902, between the United States Shipbuilding Company and the Mercantile Trust Company. It was signed in behalf of the United States Shipbuilding Company and by Lewis Nixon, as Vice-President, attested by Frederick K. Seward, as Secretary; and in behalf of the Mercantile Trust Company by Alvin K. Krech, Vice-President, attested by J. D. Ostrander, Assistant Secretary, and acknowledged on the 11th day of August, 1902. In this mortgage the form of the bond is provided and declares that Series A to be issued under this mortgage shall not exceed $16,000,000.

There is a further provision that "this bond shall not become effective or obligatory for any purpose unless and until it shall have been authenticated by the certificate thereon endorsed by the said Trust Company."

The mortgage contained the provision that

ARTICLE I, SECTION 2.

"Bonds to the amount of Sixteen Million Dollars with all coupons for interest thereto attached shall forthwith be executed by the Shipbuilding Co-

pany and delivered to the Trustee for authentication. and the Trustee shall immediately and without awaiting the recording of this indenture authenticate and deliver the same upon the order of the President or Vice-President and Treasurer of the Shipbuilding Company."

and the further provision that

ARTICLE I, SECTION 4.

"The Shipbuilding Company covenants that it will not issue, exchange, sell or dispose of any bonds hereunder in any manner other than in accordance with the provisions of this indenture and the covenants and agreements in that behalf herein contained."

That the Mercantile Trust Company had any legal title to the bonds or had control of their possession or distribution by the Shipbuilding Company does not appear to be the fact.

The only apparent interest on the part of the Mercantile Trust Company was its compensation as Trustee, unless it be true, as has been asserted, that the Mercantile Trust Company was one of the underwriters, which subscription was subsequently, as I have been informed, personally assumed by Mr. Alvin W. Krech.

On June 24, 1902, John W. Young undertook to transfer and sell to the Shipbuilding Company the various shipbuilding and other properties mentioned, with a certain amount of cash, and his payment was to come from the issue of the $16,000,000 of first mortgage bonds, of which $1,500,000 were to remain in the treasury.

The Shipbuilding Company did not acquire title to the shipbuilding plants until the 11th of August, and up to that time no bonds were, apparently, deliverable by or on the behalf of the Shipbuilding Company, on any account whatever. Any issue of the bonds by the Shipbuilding Company prior to that time seems strange to the uninitiated.

On the 11th day of August, when the Bethlehem properties were to be turned over, the promoters of the Shipbuilding enterprise were facing a crisis. Under the contract for the sale of the Bethlehem property it was provided that the properties of the Shipbuilding Company should not only be acquired, but the title vested in the Shipbuilding Company; and this required the payment of $6,000,000, besides the possession of a cash working capital of $1,500,000.

The provisions of the agreement showing the caution exercised in behalf of Mr. Schwab, to assure the full compliance with these conditions and to assure the good faith of the transactions before the Bethlehem was turned over, are as follows:

"At the time of the said purchase of said shares of stock of the Bethlehem Steel Company by said Nixon and Dresser and the sale to said Schwab of the bonds, preferred stock and common stock to be issued by said Shipbuilding Company, as herein provided for, *said Shipbuilding Company shall have duly purchased and become possessed of the property and assets or the capital stock or both of said 'Subsidiary Companies.'*

"Said Nixon and Dresser shall furnish the certificates of Messrs. Alexander & Green, of Counsel for said Shipbuilding Company, and the other parties financially in interest in such form as shall be satisfactory to said Schwab, of the validity of the organization of the said Shipbuilding Company, of the acquisition by it of the properties, plants and assets or capital stock or both of said 'Subsidiary Companies' of the acquisition by it of said stock of the said Bethlehem Steel Company, of the issuance of full paid, non-assessable shares of preferred stock and common stock of the Shipbuilding Company to be delivered to said Schwab under this agreement, and of the validity thereof, and of the authorization and issue of the stocks and bonds of the Shipbuilding Company, together with satisfactory evidence of the consent and authority of all parties in interest, for the issue of the said stocks and bonds of said Shipbuilding Company, as herein provided for."

To summarize, it was insisted in behalf of Mr. Schwab that the Bethlehem Company should not come into the combination until the other properties had been acquired and paid for, the titles vested in the Shipbuilding Company and the considerations for the issuance of the various securities properly received.

The necessary certificate of Alexander & Green was furnished to both J. P. Morgan & Co. and Mr. Schwab, as is shown by the evidence taken before Mr. Oliphant, United States Commissioner, in the Shipbuilding hearing.

A cable to Young, in Paris, on August 8th, said:

"Under our contract to purchase Bethlehem, which must be consummated Monday, we have to have all other plants fully paid for and transferred to Shipbuilding Company first. This means all cash must be in hand Saturday, entirely irrespective of date of option. There is serious danger in Bethlehem matter as they will give no extension of time.

REPUBLICUS."

Bethlehem could not be acquired until all the cash requirements were in hand to acquire the plants and working capital.

It was determined to borrow the money on the Shipbuilding securities to take the place of the non-forthcoming funds of the French underwriters.

Dresser and Nixon got some loans, but they were unable to get enough, so Dresser arranged with different institutions for deposits of the Trust Company of the Republic's funds, and then they borrowed the amount of this money individually, placing with the loaning institutions double the amount borrowed in Shipbuildin bonds, giving their joint notes and the guaranty of the Trust Company of the Republic, signed by D. LeRoy Dresser, President.

Some of these loans were on the books of the Trust Company of the Republic, but all new loans were not at first put upon the books of the Trust Company of the Republic as an indebtedness of the Trust Company. Some were entered as contingent liabilities and some were carried as assets.

In one instance, five hundred thousand dollars were deposited in a trust company by Mr. Dresser as an interest-bearing deposit, a credit to the Trust Company of the Republic. Five hundred thousand dollars were borrowed from this same trust company by Mr. Dresser upon $1,000,000 of Shipbuilding bonds, accompanied by the joint note of Mr. Nixon and Mr. Dresser and a guaranty executed by Mr. Dresser in the name of the Trust Company of the Republic. All of this was done, according to the testimony, in the branch office of the Trust Company of the Republic at 71 William Street, New York City, and the minutes of the Trust Company of the Republic do not show that the transactions were at the time done with the knowledge of the Board of Directors.

The check of the other trust company, to the order of Nixon and Dresser, was deposited in the Trust Company of the Republic to the credit of the loans of Nixon and Dresser.

There certainly was a failure to observe proper banking methods.

The Knickerbocker Trust Company declined to loan on Dresser's and Nixon's notes supported by the collateral of the Shipbuilding bonds, and required additional collateral. It obtained an assignment in the following form:

KNOW ALL MEN BY THESE PRESENTS, that the MERCANTILE TRUST COMPANY, a corporation of New York, hereby releases to the UNITED STATES SHIPBUILDING COMPANY (a corporation of New Jersey), its successors or assigns, all the right, title and interest of said The Mercantile Trust Company in and to certain underwriting agreements relative to the First Mortgage Five Per Cent. Sinking Fund Gold Bonds of the said Shipbuilding Company, hereto annexed, and respectively executed by the following named Subscribers, for the amount of bonds set opposite their names, to wit:

C. W. Wetmore	$200,000
E. G. Bruckman	200,000
J. W. Gates	100,000
Alex. R. Peacock	100,000
Edwin Gould	100,000
George J. Gould	100,000
Dumont Clarke	25,000
Stuyvesant Fish	50,000
Richard Delafield	25,000
C. M. Schwab	500,000
Ex. Norton & Co	125,000
W. L. Stow	50,000
S. P. McConnell, &c	25,000

Dated August 11, 1902.

MERCANTILE TRUST COMPANY,
By A. W. KRECH,
Vice-President.

In the presence of
W. W. GREEN.

In connection with this loan there was executed the following:

The Trust Company of the Republic hereby certifies that, under the underwriting agreements relative to the first mortgage, five per cent. sinking fund gold bonds, Series A, of the United States Shipbuilding Company, of which several copies are hereto annexed, the entire amount of $9,000,000 were underwritten as provided in Clause (1) of said agreements.

Dated New York, August 11, 1902.

TRUST COMPANY OF THE REPUBLIC,
By JAMES DUANE LIVINGSTON,
Vice-President.

There was a second assignment by the Shipbuilding Company, also signed by James Duane Livingston, Second Vice-President of the United States Shipbuilding Company, to Lewis Nixon and D. LeRoy Dresser, which assignment was as follows:

THIS AGREEMENT, made this 11th day of August, 1902, between the UNITED STATES SHIPBUILDING COMPANY a corporation of New Jersey, hereinafter sometimes called the Shipbuilding Company , party of the first part, and LEWIS NIXON and D. LEROY DRESSER, party of the second part, WITNESSETH:

The SHIPBUILDING COMPANY, through its agent, the Mercantile Trust Company, entered into several agreements, called "Underwriting Agreements," relative to the sale of the First Mortgage Five Per Cent. Sinking Fund Gold Bonds of the Shipbuilding Company, including, among others, the agreements hereto annexed, signed by the below-mentioned subscribers, for the amount of bonds respectively set opposite their names:

C. W. Wetmore	$200,000
E. G. Bruckman	200,000
J. W. Gates	100,000
Alexander R. Peacock	100,000
Edwin Gould	100,000
George J. Gould	100,000
Dumont Clarke	25,000
Stuyvesant Fish	50,000
Richard Delafield	25,000
C. M. Schwab	500,000
(J. D. L.) Ex-Norton & Co	125,000
W. L. Stow & Co	50,000
S. P. McConnel	25,000

Upon each of the foregoing underwriting agreements, 50 per cent. of the amount subscribed has been called and paid, Lewis Nixon and D. LeRoy Dresser are about to borrow from Knickerbocker Trust Company the sum of seven hundred thousand dollars ($700,000) and to assign as collateral security therefor, the above described underwriting agreements to the extent of the unpaid liability of the subscribers thereon together with the First Mortgage Five Per Cent. Sinking Fund Gold Bonds of the Shipbuilding Company to the amount in par value of $1,600,000, and Preferred Stock of the Shipbuilding Company to the amount of 4,000 shares and Common Stock of the Shipbuilding Company to the amount of 4,000 shares.

NOW, THEREFORE, THIS AGREEMENT WITNESSETH: That the Shipbuilding Company, in consideration of the promises and the sum of one dollar to it in hand paid, the receipt whereof is hereby acknowledged, assigns to Lewis Nixon and D. LeRoy Dresser, their assign or assigns, each and all the underwriting agreements above described, and hereto annexed, with all the right, title and interest therein of the Shipbuilding Company, with full power to said Lewis Nixon and D. LeRoy Dresser, their assign or assigns, in the name of the Shipbuilding Company, or otherwise, to enforce the said agreements, and each of them, to make calls thereon, or cause the same to be made, and to do any other act which the Shipbuilding Company might, could or should do to fully be entitled to the benefit and security of the said agreements.

IN WITNESS WHEREOF, the SHIPBUILDING COMPANY has caused this agreement to be executed in its name by its Second Vice-President, and its corporate seal to be hereto affixed and attested by its Secretary, this 11th day of August, 1902.

UNITED STATES SHIPBUILDING CO.,
By JAMES DUANE LIVINGSTON,
2d Vice-President.

[SEAL]

Attest.
FREDERICK SEWARD,
Secretary.

Upon this document was endorsed a further assignment in the following language:

"For value received we hereby assign, transfer and set over to the Knickerbocker Trust Company all our right, title and interest in and to the foregoing instrument, and in the underwriting agreements therein mentioned.

Dated August 11, 1902.

DANIEL LEROY DRESSER,
LEWIS NIXON.

In the presence of
BRAINARD TOLLES."

Mr. Dresser had reached the end of his own resources and had exhausted those of the Trust Company of the Republic. Both were in danger, and he knew it. The responsibility had been shifted upon his shoulders. No help seemed forthcoming from the originators of the undertaking and the promises of other promoters as to French financial returns were becoming shadowy. In this predicament he sought Mr. Schwab's counsel, Mr. Schwab being in Europe at the time. Mr. Pam took Mr. Dresser over to the office of J. P. Morgan & Co. and introduced him to Mr. Perkins.

Mr. Dresser requested a loan of $2,500,000, but Mr. Perkins said he could not make loans on Shipbuilding securities. Mr. Dresser said that he and his associates were expecting remittances in a week or ten days from the French underwriting and would need the assistance only that long. Mr. Perkins was told by Mr. Dresser that the proceeds of the French underwriting would not long be delayed. Mr. Dresser called again the next day and told Mr. Perkins that several financial institutions would be willing to assist them if they could have the additional funds, and again requested a loan.

Mr. Perkins was unwilling to make a loan, but he did finally say that he would deposit $2,100,000 in any three responsible Trust Companies Mr. Dresser might name for ten days or two weeks.

Mr. Dresser mentioned the Knickerbocker Trust Company, the Trust Company of the Republic and the Manhattan Trust Company.

The Manhattan Trust Company did not accept the deposit. The other two companies did receive $1,400,000, issued their certificates of deposit to J. P. Morgan & Co. and loaned this amount to Mr. Nixon and Mr. Dresser.

Mr. Perkins introduced Mr. Dresser to the New York Security and Trust Company, which made a loan to Dresser and Nixon of $350,000, making the total assistance secured in that way $1,750,000.

The $1,750,000 thus borrowed, while it was a great help, was not sufficient to place the promoters in a position to buy the properties for which they held options. They were still short of the necessary cash requirements. But the Trust Company of the Republic had more than $4,000,000 in deposits.

Methods similar to those described were taken with other institutions, until, in the joint names of Mr. Nixon and Mr. Dresser, secured by the guaranty of the Trust Company of the Republic issued by Mr. Dresser, and the Shipbuilding Company collateral some millions were raised sufficient to draw the checks to the vendors, which checks aggregated $6,000,000.

The Trust Company of the Republic had received from underwriters and subscribers $2,327,812.50, of which it had contributed $250,000 of its own money. It had lent directly to Mr. Nixon and Mr. Dresser, or supported their notes by its guaranties, $3,672,187.50.

Under these conditions the fateful day for paying for the properties arrived. The Trust Company of the Republic prepared twenty-four checks, aggregating $6,000,000, fifteen of which were made out to the order of Lewis Nixon, and through the latter, as holder of the options under Young's power of attorney, it is said the checks were delivered to the owners of the constituent companies. Besides this cash the vendors, of whom Mr. Nixon was one, were supposed to receive $4,050,000 in bonds and $4,000,000 in each kind of stock.

The great Shipbuilding Company was now an accomplished

fact with the exception of taking over the Bethlehem; but the structure was built upon a dangerous foundation, likely to give way at any time. The weaknesses were the extravagant values placed upon the shipyards and the French underwriting.

The Bethlehem transfer, which was performed on August 12th, though of vast importance, was very simple. Mr. Nixon and Mr. Dresser met the various parties in interest in the office of J. P. Morgan & Co., and there received the stock of the Bethlehem Steel Company, paying for it with Mr. Schwab's check for $7,246,871.48, and passing over $10,000,000 collateral mortgage bonds, $10,000,000 of preferred stock and $10,000,000 of common stock, of which $2,500,000 of each kind of stock was delivered to J. P. Morgan & Co. as syndicate managers. It remained only for the new holders of the Bethlehem stock to deposit it with the New York Security and Trust Company as security for the collateral mortgage. This they did without delay.

It is not my intention to follow the fortunes of the United States Shipbuilding Company to their conclusion. It is clear, however, from the disclosure of the facts, that, with the exception of the Bethlehem Steel Company, the Union Works and the Hyde Windlass Company, the constituent companies were indebted far beyond their ability to pay, and the new trust was without the earning capacity to meet the heavy fixed charges fastened upon it by the promoters' issue of $16,000,000 of bonds. The subsequent failure and fall of the company was inevitable, no matter who was in charge of its affairs or how efficient its management.

Mr. Schwab and Mr. Pam have been repeatedly charged with wrecking the United States Shipbuilding Company. I have devoted many weeks to the examination of the evidence, documents and facts in connection with the entire matter, and have thoroughly informed myself from all available sources of information with reference thereto. From the evidence at hand it appears that neither Mr. Schwab nor Mr. Pam had any connection with promoting, organizing or financing the Shipbuilding enterprise nor with the various transactions in connection therewith. Whether the criticism of Mr. Schwab, in securing for himself so large a consideration for the Bethlehem Steel Company stock is justified (considering that he is the only one who received no cash for his

property, having received his entire pay in securities) is not for me to say. Nor is it within my province to comment on the criticism and complaint made against his counsel, Mr. Pam, for his faithfulness in protecting his client's interests in the preparation of the contract and mortgage. It was Mr. Pam's effort to safeguard and protect his client's interests against any unforeseen contingencies. Whatever may be the facts pertaining to the safeguarding of Mr. Schwab's interests, the conclusion is inevitable that it was not to this, but rather to the financial transactions which occurred prior to his contract with the Shipbuilding Company that its downfall must be traced.

While I shall not follow the United States Shipbuilding Company any further, having told now in outline the story of how it was established, it is well to continue with the Trust Company of the Republic until the final effect of its operations has been shown. The parties in interest must have fairly groaned with relief when the properties were paid for, although the methods by which they accomplished this reminds one rather of the shiftless Micawber than of any other person or thing in fiction or in history.

It must also be borne in mind that this transaction was all completed in a short space of time and during the months of July and August of the summer of 1902, when there were few if any meetings of the Board of Directors of the Trust Company of the Republic. The transactions were not entered upon the minute-book of either the Executive Committee or the Board of Directors.

The troubles of the unfortunate Trust Company of the Republic were just beginning. The French underwriting produced not a dollar. Dresser's ambition to organize a gigantic trust had been satisfied, but in the process the capital, surplus and deposits of the Trust Company of the Republic had been nearly wiped out and it was in an exceedingly precarious position. Only immense success on the part of the creature it had made could save it from the fate of Frankenstein. It had gambled on the result of the French underwriting and had lost. Although the great Shipbuilding Company had been launched and the required $1,500,000 of working capital had been credited to the United States Shipbuilding Company on the books of the Trust Company of the Republic as of August 12th, the funds therefor were lacking to meet its drafts. It became

necessary to provide that amount. Armed with guaranties signed by Dresser in the name of the Trust Company of the Republic and a vast amount of Shipbuilding securities, Mr. Nixon and Mr. Dresser borrowed, on August 30 and September 4 and 5, 1902, $1,500,000 from New York banks on their notes, secured in what had now become the usual manner.

The returns from the American underwriters and subscribers were applied to the reduction of the obligations of Mr. Nixon and Mr. Dresser. They brought the total in which they were indebted to the Trust Company of the Republic down to $3,279,909, to repay which they had nothing more substantial in sight than the French underwriting. This amount was afterwards reduced to $982,334.10.

At this point the bank examiner visited the Trust Company of the Republic. Its difficulties were not a matter of general knowledge, and it was esteemed a most prosperous institution. Its warehouse business in the South was growing at a phenomenal rate, the newspapers were filled with tales of its progress and its brilliant prospects in an almost virgin field. But when the State Bank Examiner finished his inspection the world was informed of the almost inextricable tangle it had got into through its connection with the Shipbuilding Trust, and its stock dropped to below par.

At this critical juncture a syndicate, which became known as the Sheldon Syndicate, was formed to take over the financial obligations of the Trust Company of the Republic, accepting in payment therefor securities of the Shipbuilding Trust. The Syndicate did take over these obligations and thus relieve in part the situation. Even then, had the Shipbuilding Company been established upon a sound basis, or had it even acquired properties which, exclusive of the Bethlehem, and the two others mentioned, were sound and self-supporting, the Trust Company of the Republic would have won its way clear financially. But since the Shipbuilding Company was itself insolvent and a failure, it was not possible for the Trust Company of the Republic to realize on the securities which it held of the combination and thus replace the large amount in which it was involved. Its reputation, too, had been sacrificed. It was reorganized under a new name and is to-day only a memory, and its history only a contention in the courts.

It is not to be assumed that I have covered the whole question of the relation of the trust company to the industrial combination; nor even the whole question as to the relation of these two trust companies to the Shipbuilding Corporation. On the contrary, I have carefully avoided discussion of certain topics which may be the subject of litigation, and I have touched only so far as was necessary to fill out the lines of my view of the situation upon matters pertaining thereto which are in doubt and which may be the subject of litigation.

The tendency of financial institutions—known in our State as "moneyed corporations"—is to affiliate too closely with industrial propositions, the ultimate outcome of which cannot be adequately determined from the showings made by promoters and others interested in their flotation.

There is a side of the picture which is less unpleasant than the side which I have turned to you. It is that the lesson which has been taught by the organization of the Shipbuilding Company had a wholesome effect upon Wall Street and other financial institutions. It is, too, that because the present Superintendent of Banks in the State of New York ably supervised the adjustment of the intricate details, so far as his jurisdiction was concerned, no financial panic resulted from a disclosure of the condition into which the Trust Company of the Republic had been led by its President.

I have no time to draw a parallel, but I think that those who are familiar with the history of similar undertakings in England and Scotland will admit that they show a more dangerous affiliation in those countries between financial institutions and industrial promotions. Across the water many men in high financial position acted as directors of flotations which were similar to this one, but which had really a less stable foundation. Many financial institutions not only fathered industrial propositions which failed to turn out as expected, but they endorsed them. The result was that in England, after a collapse, financial institution after financial institution closed its doors and a panic resulted.

From the standpoint of a single individual I believe that I have portrayed the final example of an undertaking of the kind which I have been describing. To-day, as a consequence of the

lesson which has been learned by the false establishment of the United States Shipbuilding Company, our financial leaders and our financial institutions are gradually withdrawing from affiliations with industrial combinations, and each one is assuming its true position.

The reader will agree with me that the institution and the industrial combination are of value, each in its place, but a close partnership between the two is dangerous, inasmuch as the financial institution and the industrial combination must necessarily stand upon a different footing in their relations to the public. The *salve* in the situation is that the general public did not become a participator in the flotation of which I have been speaking, and did not invest largely in the securities of the Shipbuilding Company.

The result has been unfortunate for those who did become investors, but the heaviest loss fell upon men who were in a financial position to stand it: namely, the underwriters, who entered for profit and who expected large returns with but little responsibility.

Even as concerns the Trust Company of the Republic it is a subject for congratulation that by the wiser subsequent management which undertook its reorganization, its financial credit has been sustained and as a consequence of the assistance rendered by the men who formed the "Sheldon Syndicate," who can well afford the loss, it is in a position to continue business as an institution of integrity.

Appendix

EIGHTH ANNUAL MEETING

OF THE

American Academy of Political and Social Science

Philadelphia, April 8 and 9, 1904.

In choosing "The Government in its Relation to Industry" as the general topic of the Eighth Annual Meeting your Committee was desirous of focusing the attention of the members of the Academy upon certain of those questions of government regulation now in the forefront of public discussion. To this end the relations of our governments to banking and trust companies, to the expansion of foreign trade, to the restriction of immigration, and to the control of large industrial and commercial corporations or trusts were chosen as the subjects of the four sessions of the Annual Meeting. Your Committee desires to express its appreciation of the courtesies extended to members and visitors at the Annual Meeting by the Provost of the University of Pennsylvania, the officers of the Manufacturers' Club, the Union League, and the Philadelphia Commercial Museums. As in former years, the expenses of the meeting have been defrayed principally from a special fund contributed by friends of the Academy. The generous support received from these sources has enabled the officers of the Academy to enlarge the scope of the meeting and to give to the printed Proceedings a correspondingly broader circulation. The thanks of the members of the Academy is due to these friends of the organization who have made possible the extension of its public usefulness.

SESSION OF FRIDAY AFTERNOON, APRIL 8TH.

The Presiding Officer, Honorable Frank A. Vanderlip, of New York City, introduced Joseph Wharton, Sc. D., Chairman of the Local Reception Committee. In welcoming the members and visitors to the annual meeting Mr. Wharton spoke as follows:

Mr. Chairman, Members and Guests of the Academy of Political and Social Science.

As the years pass by it becomes more and more evident that not only is there room in the United States for such an institution as this Academy, but that in fact the information and the ideals which it can disseminate are urgently needed by the people of this nation. The world is growing to appreciate more and more the predominating part which national and personal economy play in the great events which constitute the history of a race or nation.

When our minds are withdrawn from the contemplation of some hero or statesman who seems to have molded the community in which he dwelt, we often find that he was little more than the figure-head, or mouthpiece, of the great mass of undistinguished persons who had reached upon one or more points, convictions so clear and urgent that they were ready to take shape as irresistible forces, so soon as a competent leader arose to make them effective.

It is obvious, for instance, that commercial independence and industrial independence were more the underlying aims of our American Revolution than the mere political severing of the ties binding this country to the British throne.

Every reader of American history very well knows that resistance to taxation without representation, of which the Stamp Act was a conspicuous feature, the Non-Importation Resolutions of American merchants, the destruction of tea in Boston Harbor and the sending back of cargoes of tea from this port and New York were important factors leading to the Declaration of Independence, yet we are rather too much inclined to let our attention be drawn away from these underlying causes by our interest in the actual combat, and our admiration for the brilliant characters of the great men who became the nation's leaders.

Another instance of great historic changes resulting from somewhat obscure causes is the revolt of the peoples of Northern Europe

from the domination of the Roman Catholic Church, which was also due in a large measure to economic causes; namely, the exactions of the Roman hierarchy in draining money from those countries for its support and for its enterprises; among them the building of the great Cathedral of St. Peter in Rome. We have heard in a general way of the begging friars who went up and down through Europe taking toll from the inhabitants, and we have heard of the sale of indulgences by the monk Tetzel and others, but these things have perhaps never been so clearly set forth as factors in the Reformation as in the recent statement by our distinguished fellow citizen, Mr. Henry C. Lea, in his contribution to "The Cambridge Modern History," edited by Lord Acton, in which he describes the condition of Europe before the Reformation, and the causes leading to that Reformation. Mr. Lea emphasizes the important, if not the principal, part which these money exactions played toward bringing men's minds to the point of declaring their independence from the domination of Rome; a matter evidently quite apart from any question of religion.

After giving all allowance to the brave spirit of Martin Luther, it cannot be denied that he entered upon a field already ripe unto the harvest, so that his great work was practicable as otherwise it could not have been.

When an earthquake carries destruction over a great territory, destroying many lives and changing the face of nature, that disruption and that overturning do not result from some cause born at the moment, but the shock is the result of causes which have been quietly operating for years, centuries, or for long ages; such as the contraction of the earth's crust by loss of heat, or the shifting of enormous masses of earth from the various affluents of a great river to the delta at its mouth—either of these causes producing new strains gradually increasing to the point of rupture.

This Academy naturally turns a part of its attention to such enduring and unobtrusive social forces.

Another proper subject for the consideration of the Academy is, I think, the enormous waste and destruction of the several funds provided by nature as for the special use of man, such as the timber forests of a country, its supplies of coal, mineral oil, or iron ore and similar resources. The waste of forests might seem not fairly com-

parable to the waste of minerals which do not grow and when exhausted can never be replaced, but, although other trees may grow to replace those which are destroyed, new forests do not, in fact, appear except in a very moderate degree. Destruction not merely consumes the fund of utility possessed by the timber itself, but by altering climatic conditions makes unproductive and almost uninhabitable great regions which originally were well watered and fertile.

Our forests have been most wastefully destroyed and are still so being destroyed. In our Southern Atlantic States, for instance, vast regions of pine forest are now being denuded, principally for the comparatively small fund of turpentine which they can be made to yield, but partly to clear up the ground for cultivation, which latter is largely shiftless and destructive to the elements of fertility which the soil contains. The timber in these cases is wasted by burning, because it is just now too far from easy transportation to compete with that which lies a little nearer.

The exhaustion of coal and iron ores now going on in Great Britain, giving to that country a temporary power to draw wealth from those lands to which its manufactures are exported, is an instance of another sort of waste, which must result before long in the distinct lowering of Great Britain's place among the nations. Hasty legislation cannot be expected to prevent waste of our own enormous natural resources, but a wholesome public sentiment must be created which will lead to abhorrence of the waste and ultimately to such prudent legislation as may diminish it. I shall not attempt to indicate all the various lines of action or education in which this Academy may be useful, but shall conclude by offering to those members and guests of the Academy, who do us the honor to come here from their various homes, a cordial welcome to Philadelphia. We hope that they may find their stay here both profitable and pleasant.

The Presiding Officer announced as the general topic of the afternoon session, "Government Regulation of Banks and Trust Companies." The first address, on "Government Control of Banks and Trust Companies," was delivered by Honorable William Barret Ridgely, Comptroller of the Currency, Washington, D. C. Mr. Ridgely's address will be found on pages 15–26.

The second address on, "Control and Supervision of Trust

Companies," by Honorable Frederick D. Kilburn, State Superintendent of Banks, Albany, N. Y., will be found on pages 27–42.

The fourth address, on "Financial Reports of the National Banks as a Means of Public Control," by Professor Frederick A. Cleveland, New York University, will be found on pages 43–66.

SESSION OF FRIDAY EVENING, APRIL 8TH

The session of Friday evening, April 8th, was presided over by Dr. Charles Custis Harrison, Provost of the University of Pennsylvania. Dr. Harrison introduced the President of the Academy, Professor L. S. Rowe, of the University of Pennsylvania, who presented a review of the work for the year 1903–04.

Dr. Rowe spoke as follows:

This year marks the fifteenth anniversary of the founding of the Academy—a period presenting an unbroken record of activity and broadening influence. Through the combined efforts of our members in all sections of the country, the Academy has acquired an educational influence, national in scope, and contributing in no small measure towards the development of an enlightened public opinion.

At no time in our history has the country stood in greater need of such educational agencies. With each year industrial, social and political problems are becoming more complex and with this increasing complexity the dangers involved in attempts at hasty and ill-advised solutions are increased. Throughout the long period of heated and, at times, acrimonious discussion that has marked the development of American public policy during the last fifteen years, the Academy has held itself free from all entanglements and has constantly labored for the frankest discussion at its meetings and for the fullest presentation of facts in its publications. During the year that has elapsed since our last annual meeting, we have published six special volumes covering the following subjects:

1903, May—Problems in Charities and Correction.
" July—The United States and Latin America.
" September—Southern Educational Problems.
" November—Business Management.
1904, January—Tariff Problems—British and American.
" March—Municipal Problems.

NOTE.—The third address on "The Relation of Trust Companies to Industrial Combinations, as Illustrated by the United States Shipbuilding Company," was delivered by L. Walter Sammis, Esq., Associate Editor, New York *Sun*. This address will be found on pp. 239-268.

Each of these volumes contains a well co-ordinated mass of scientific material on one of the great problems confronting the American people. By means of these publications the members of the Academy have been able to secure trustworthy information on questions affecting the vital interests of the country and have thus been in a better position to perform their duties as citizens.

The influence of these publications has not been confined to our members. The public press has made liberal use of the material gathered under the auspices of the Academy and has assisted in broadening the influence of our publication work. We, of the East, do not fully appreciate the position which the Academy has assumed in the Far West. A considerable number of clubs and reading centers depend upon the publications of the Academy for the material with which to conduct their inquiries and discussions. This phase of our educational work has been growing so rapidly that the time is now ripe for the creation of a special bureau of research and information, which will not only furnish guidance for special investigations, but will also bring members into closer touch with one another. One of the greatest services which the Academy can perform will be to co-ordinate the effort that is being put forth by our members in the study of industrial and political questions. With every section of the country fully represented in our membership, the Academy is in a position clearly to mirror the intelligent opinion of the American people as well as to present the results of the most advanced research.

In spite of this increasing influence, the Academy has hardly begun to utilize its possibilities of usefulness. In a great democracy such as ours a national organization which will maintain the highest ideals of truth and sincerity possesses unlimited possibilities for good. To realize these possibilities, however, each member must feel a keen sense of the responsibilities involved and a willingness to co-operate with his fellow members in developing the work and extending the influence of the Academy. The plea that I wish to make this year is for the further development of this spirit of co-operation. With it the Academy's educational influence will advance from year to year until every section of the country will profit by the research and investigation conducted under your auspices.

The Presiding Officer, Dr. Charles Custis Harrison, then intro-

duced the speaker of the evening, Honorable George Bruce Cortelyou, Secretary of the Department of Commerce and Labor, Washington, D. C.

Dr. Harrison spoke as follows:

"The growth of the United States of America is much more striking to all of us than is the development of the machinery of Government. In fact, the slow processes under which new Departments have been created to meet new needs are curious in the extreme."

After stating the rise and history of the several Departments of the Government, Provost Harrison concluded as follows:

"For many years duties have been assigned to these several Administrative or Executive Departments which have been wholly incongruous and unrelated to their proper functions; and for many years, too, as we all know, the development of the manufacturing interests of the country, and the mining interests of the country, has been so great as to force upon the attention of Congress the establishment of a Department in recognition of our national development upon these lines; and so, in 1902, the Department of Commerce —or, as it is now called, the Department of Commerce and Labor— was established. No one who has not read the Act can at all understand the multiform and multitudinous duties which devolve upon the Chief of this Department. When Oliver Wendell Holmes was a Professor at Harvard, he had so many subjects to teach that he called his Chair at Harvard a 'Settee!' And I think that Mr. Cortelyou may call his Chair in the Cabinet a Settee!

"Of course, all of us feel a peculiar interest in Mr. Cortelyou, entirely apart from the duties of his new and high office—an interest which has grown out of his affection for and intimacy with our late and much beloved President, William McKinley; for Mr. Cortelyou bore very much the same relation to Mr. McKinley as Mr. Nicolay and Mr. Hay bore to Mr. Lincoln, and it is an episode not to be overlooked that these two men, holding very much the same relations to two of our great Presidents, should find themselves together in the present Cabinet.

"We do not intend, to-night, to trouble Mr. Cortelyou with telling us of all the duties of his office. He can leave the Settee and take the 'Chair of Commerce,' and we shall be glad to hear from him

upon the subject upon which he has consented to speak to us—that is to say, of 'Some Agencies by which the Domestic and Foreign Trade of the United States may be Increased.'

"Ladies and gentlemen, I have very great pleasure in presenting to you the Honorable George B. Cortelyou, a member of the Cabinet, and Secretary of Commerce and Labor."

Secretary Cortelyou then delivered the annual address on "Some Agencies for the Extension of our Domestic and Foreign Trade." This address is printed on pages 1–12 of this volume.

At the close of Mr. Cortelyou's address the President of the Academy said:

"Before the adjournment of this meeting I wish to express to the Secretary of Commerce and Labor the sincere appreciation of the Academy for his admirable address. Called to one of the highest positions in the administration of our National Government, he has shown a breadth of view combined with an executive capacity which has aroused the admiration and inspired the confidence of the business community throughout the United States. It will be the privilege of the historian a hundred years hence fully to describe the difficulties that had to be overcome in the establishment of this great new Department and to gauge at their true value the courage and tact that were required to assure to this Department its full measure of usefulness. We stand so close to the formative period of this Department that we cannot appreciate in all its bearings the great edifice which is being reared by the Secretary of Commerce and Labor. But the results already accomplished are sufficient to enable us, in welcoming the speaker of the evening, to pay tribute to the zeal, energy, faithfulness, devotion and the ability with which the new work has been undertaken."

SESSION OF SATURDAY AFTERNOON, APRIL 9TH.

The Presiding Officer, Honorable Samuel McCune Lindsay, Commissioner of Education, Porto Rico, announced as the general topic of the afternoon session, "The Immigration Problem," and introduced the first speaker, Honorable Frank Pierce Sargent, Commissioner-General of Immigration, Washington, D. C. The address of Commissioner Sargent, on "Problems of Immigration," will be found on pages 151–158.

The second address on "The Problem of Assimilation," was delivered by Franklin H. Giddings, LL. D., Professor of Sociology, Columbia University, New York City. A summary of Professor Giddings' remarks follows:

In popular discussions of the effects of immigration upon the characteristics of the American people the word assimilation is used for two distinct but related phenomena: one, a gradual conversion of the mind and conduct of the immigrant to American standards, an approximation to an American type; the other an admixture through intermarriage of the immigrant blood with that of the native-born population. The commingling of bloods is the process of amalgamation. The modification of mind and conduct through initiation and education is the process of assimilation. In the present paper I shall examine the known facts relating to both assimilation and amalgamation as they are taking place in the United States to-day.

There never has been a time since immigration to the United States began on a large scale in 1820 when it has not been opposed by an influential class or party of the native born, which has tried to secure the enactment of restrictive legislation. This effort assumed formidable proportions in the Know-nothing movement of 1854. It barred out Chinese laborers in 1892, and now it is attempting to restrict the incoming of the peoples of Southern and Eastern Europe, admittedly more unlike the older American stock than were the Irish and German immigrants of former years. How far a restrictive policy is expedient can be determined only by a study of assimilation and of amalgamation, as these processes are statistically known, in the light of the past experience of the human race, which from the earliest times has been undergoing continual modification through the meeting of minds and the commingling of bloods.

These statistical facts and the lessons of history are plain to those who will read them without prejudice. Twenty-one millions of foreign-born persons have come to the United States since 1820, and yet to-day on the mainland of the United States only 1,403,212 persons are unable to speak the English language. Within the same area there are only 3,200,746 whites unable to read or write and of these 1,913,611 are native born. Few sober-minded

students would venture to affirm that American standards of living, or American legal and political institutions have as yet undergone any considerable change for better or for worse in consequence of the presence here of the immigration that arrived before the year 1890. Assimilation has been astonishingly complete, and the pessimistic predictions of the Know-nothings have not been verified.

Amalgamation proceeds slowly, and statistics of the intermarriages of native and foreign born, or of different nationalities of the foreign born, do not adequately represent it. We have no way of knowing how rapidly it proceeds among the children and grandchildren of immigrants when all distinctions of European nationality have been lost. The only question we can raise is: When admixture of the stocks now resident here has been accomplished what will the resulting population be like? This question can be answered with a high degree of certainty. In the entire United States 53 per cent. of the foreign born are of English and Teutonic stocks and 21 per cent. are of Celtic stocks. Practically 75 per cent. of our foreign born are of English, Teutonic and Celtic stocks. This is the fact that is made significant by history. The English people, and its offspring, the American people of English descent, are a product of the blending of Teutonic with Celtic bloods during the first ten centuries of the Christian era. Unless the inflow of Latin and Slavic peoples into the United States from this time forth should be out of all proportion to any phenomenon of immigration yet seen in the world's history, the American people must remain what it has thus far been, essentially English in blood, mental qualities, character and institutions.

Admitting that many of our immigrants now are physically and mentally inferior, our practical problem is to exclude undesirable persons without barring any nationality as such. This conclusion applies only to immigration of the white race. Dilution of the American blood by other color races, as for example, the Chinese, is highly undesirable, and should not be contemplated.

The third address, on "Immigration in its Relation to Pauperism," by Miss Kate Holladay Claghorn, of the Tenement House Department, New York City, will be found on pages 185–205.

"The Diffusion of Immigration" was discussed by Eliot Norton,

Esq., of New York City. Mr. Norton's address is published on pages 159–165.

Miss Anna Freeman Davies and Mr. Frank Julian Warne, of Philadelphia, then took up the discussion of the general problem from the standpoint of social work and of the racial problems involved.

SESSION OF SATURDAY EVENING, APRIL 9TH.

The Presiding Officer, Joseph G. Rosengarten, Esq., of Philadelphia, announced as the general topic of the session, "The Scope and Limits of Federal Anti-Trust Legislation." In opening the session Mr. Rosengarten spoke as follows:

"The Academy is fortunate in having as its guests this evening three gentlemen who have played an important part both in the development of corporate enterprise and in the solution of the corporate problems of recent years. Mr. James B. Dill, by reason of his familiarity with and active participation in the formation of many large and important corporate undertakings, is particularly well equipped to express views on Government regulation from the standpoint of the corporation itself. Mr. Charlton T. Lewis, through his long and varied practice in corporation law and from the many social and public-spirited organizations with which he has been connected, is also peculiarly fitted to discuss this question from the standpoint of the corporation and the public at large; while the first speaker of the evening, the Honorable James M. Beck, former Assistant Attorney-General of the United States, has been actively instrumental in determining the legal relations of the National Government with large commercial companies, and in the execution of the anti-trust laws of the United States. Mr. Beck needs no introduction to a Philadelphia audience, as he has for years been, and we shall always consider him to be, a Philadelphian. To each and all of them I can promise your careful attention, and to you the instruction that always follows a close logical discussion by experts able, earnest and *capax rerum*."

Honorable James M. Beck, Assistant Attorney-General of the United States, 1902–1903, delivered the first address, on "The Federal Power over Trusts," which will be found on pages 87–110.

James B. Dill, Esq., of New York City, discussed Mr. Beck paper, pointing out the negative and conflicting character of th present legislation.[1]

An address on "The Scope and Limits of Congressional Legis lation Against the Trusts," by Charlton T. Lewis, LL.D., then fo lowed. Mr. Lewis' address will be found on pages 111–122.

[1] The Editors regret that, by reason of the serious and protracted illness of a membe of Mr. Dill's family, he has been prevented from preparing his address for publication.

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ARBITRATION OF INDUSTRIAL DISPUTES

The idea of arbitration contemplates that parties who are unable to agree upon any point or points at issue between them shall submit the disputed point or points to the decision of a person or a tribunal mutually agreed upon. Conferences and negotiations between employers and employees, or intervention in the form of conciliation or mediation, are sometimes erroneously spoken of as arbitration. At times, some one person, in whom both have confidence, is selected as sole arbitrator, but the custom usually adopted in industrial circles is for each of the contestants to name one or more and if an umpire's services are necessary, or stipulated, have the ones thus chosen select such umpire.

It is believed by some who have given the subject much thought that unless an acceptable adjustment can be reached by a board consisting of an equal number of representatives from each side, and without an umpire, the conference had better fail. The disposition to charge disloyalty, or worse, to the representative who agrees with the other side, and the improbability of one who would do so being named by either side as a direct representative of its interests and contentions, would probably, in most cases, prevent arbitration, or at least render any definite adjustment through it impossible. If the idea that it is better to have a board equally chosen and no umpire is to be accepted, it clearly follows that both sides must select representatives or arbitrators who are entirely outside the sphere of influence of either of the contestants; men of undoubted judicial temperament and natures. The great difficulty which would then present itself would be the lack of practical or technical knowledge of the subjects in hand on part of the arbitrators. It seems, therefore, that the plan of trying to agree without an umpire and of choosing an umpire if such an agreement cannot be reached promises the best results. The decision of the arbitrators is accepted in advance as final and binding. It necessarily follows that, in order for arbitration to be effective, the parties in controversy who so submit their differences shall

act in perfect good faith, both in presentation of their claims and in acceptance of the award.

In order that arbitrators may know exactly the points upon which they are to find an award, and that the disappointed party may have no opportunity to contend that there was lack of understanding, or, that if understandings had been different the award would have been in his favor instead of against him, it is desirable and proper that the submission shall stipulate clearly the point or points to be decided.

A tendency on both sides to permit sentiment to outweigh cold common sense has often blocked the way to satisfactory settlements. Insistence by the workers on some point of imaginary importance and unwillingness on the part of the employer to recognize the workers in their collective capacity have brought on serious conflicts in many cases which otherwise might easily have been settled by arbitration.

Some employers have seemingly undertaken to put their employees in a wrong light by insisting that their endorsement of the principle of arbitration committed them to the acceptance of a proposition to arbitrate "any points that may arise." Humanity possesses certain rights which have been emphatically declared to be inalienable and so, both employers and laborers and labor unions have principles which are not arbitrable. An employer would not arbitrate his right to manage his business and a labor union would not arbitrate the question of the right of its members to belong to the union or of the union to assist and represent its members.

Doubtless, in many cases, employers have refused arbitration because of their utter unwillingness to disclose facts with regard to their business which the arbitration would be likely to bring out and probably, in other instances, because they preferred that concessions should be granted through decision of arbitrators rather than by their voluntary act, have carried points to arbitration upon which they felt satisfied the decision would be against them.

Necessarily, the questions affecting only the employment of the individual or a group of individuals in a certain industry are simple as compared with the complex questions involved in the

conduct of the business of a large industry in a competitive field, and it is not improbable that these differences account in some measure for the fact that the workers are so much more ready to submit to arbitration than are the employers. The problem of equitable wages and working conditions cannot be settled on the one basis of supply and demand as can the sale and purchase of produce or manufactures. The wage question involves a human equation which must not be ignored by those who would fairly and justly decide it.

The benefits of arbitration to organized labor have been many and great. It would be impossible to undertake here a recital of the instances in which controversies between employers and employees have been submitted to arbitration and in which the contention of the employees has been upheld in whole or in a major part.[1] Such instances are innumerable and it may safely be said that in practically every instance where disputes over wages or hours or conditions of labor have been submitted to arbitration, the award has been, in its greater part at least, favorable to the employees.

These benefits come, in fact, to organized labor because where there are no labor organizations there is no arbitration of such disputes. The whole history of organization in the ranks of labor shows that practically every labor organization that has ever existed has, at some time in its history, and usually in its younger days, been bitterly opposed by the employers of those who form the union. It does not seem that it should be so but it is a fact that every one of the strongest and most influential of the labor unions of this day, including those that are pointed at now most frequently and with most pride as conservative and businesslike institutions, have, in their day and turn, been obliged to fight for recognition and the right to an unmolested existence.

Recognition of the union does not necessarily mean acceptance of the closed shop principle or any other principle as far reaching or similar in its effect. Recognition as here spoken of means recognition of the right of a union to negotiate through its chosen representatives with employers of its members regarding terms

[1]Much detailed information as to arbitration in this and other countries is given in Vol. XVII of the report of the Industrial Commission of 1900. Some thirty different trades in America are reported on.

and conditions of employment for its members when it actually and fairly represents a clear majority of those for whom it seeks to legislate.

This principle has been recognized by the United States Congress in "An Act Concerning Carriers Engaged in Interstate Commerce and their Employees," approved June 1, 1898, which provides for arbitration between the organization or organizations representing the affected employees and the employing company and stipulates that the commissioner, whose duty it is to undertake to secure arbitration when conciliation and mediation have failed, shall decline to call a meeting of arbitrators under an agreement between the employing company and its employees individually instead of as represented by a labor organization "unless it be shown to his satisfaction that the employees signing the submission represent or include a majority of all employees in the service of the same employer and of the same grade and class and that an award pursuant to said submission can justly be regarded as binding upon all such employees."

The theory or principle of arbitration had its origin in a desire to find a more rational and civilized method of adjusting differences than by the exercise of physical strength in a strike or lockout, and it is a significant fact that the principle has had much more support and encouragement from working people than from employers. Thinking men in labor circles realize that labor unions have made many mistakes and are at all times liable to make mistakes. Disaster and suffering and loss have come through ill-advised strikes, and, realizing the possibility of error, but still convinced that their contentions are right, laboring men generally are found willing to submit such contentions to arbitration, believing that in so far as they are right they will be sustained, and preferring that if they are, in part or in whole, in error it should be demonstrated in a peaceable way rather than otherwise.

The spread of this sentiment among working people has had a strongly ennobling influence. It teaches more consideration for the rights of others; it inspires an inclination to study more carefully the ethics involved and tends to a more businesslike disposition. This is proven by the fact that the spirit of toleration, consideration and arbitration prevails more generally and in a

greater degree in the older and more experienced labor unions than in the new and inexperienced ones. The principle of arbitration involves elevating sentiments, and when entertained, is calculated to bring out the better elements of human nature. It is the essence of doing unto others that which we would have those others do unto us. It is an unadulterated desire to be, and to do, right and to uphold simple justice.

And so the benefits which arbitration have brought to organized labor have been perhaps as great in moral effect as in material and tangible advantages awarded by arbitrators. Organized labor must succeed; and it must succeed through adopting, following and upholding principles which are morally and economically right and sound. No extremist has ever held for long the confidences of the people generally. Extreme ideas and measures are not lasting either in themselves or in their effect. Extremists are not those who would naturally or probably be selected as arbitrators and hence, the more arbitration is indulged in, the wider will be the spread of the judicial spirit of perfect fairness which appeals to, and is admired by, nearly all mankind.

If arbitration had been subscribed to by the miners and mine owners in the Cripple Creek District in Colorado we would now find there a peaceful and contented community, in which employer and employee were doing well in the pursuit of their business and employment instead of the deplorable condition of anarchy which obtains. Excesses and arbitrary methods on part of one side have been rebelled against by those on the other side and, forgetting that tyranny is tyranny, that wrong is wrong, that defiance of law is defiance of law, that anarchy is anarchy just as much when perpetrated by one as by another, the members of the Citizens' Alliance, assisted by some State officials, have resorted to, and adopted, the same extreme, radical and arbitrary methods which they so strongly condemned in others. The Miners' Union said that none but those bearing the working cards of the union should work in the Portland Mine. The owners of the mine agreed to that plan and all was going smoothly when the Citizens' Alliance, assisted by the military, closed the mine and declared that no man should work therein unless he withdrew from the union and pre-

sented a card from the Citizen's Alliance. It is difficult to discover the difference in principle between the two.

The principle underlying arbitration is one of the great truths which are everlasting and the good influences of which are ever at work in a continually widening circle. The elevating and civilizing impulses which have their origin in the doctrine of arbitration will still continue to bring good to organized labor and to all mankind even if the happy time shall come when there are no disputes to be arbitrated.

A prominent and influential trades union incorporates in all of its working agreements with its employers a provision that any contention which may arise during the life of the agreement, with regard to matters covered by that agreement, shall be referred to a committee upon which the employers and the union have equal representation and which is authorized to make a final award. If the committee is unable to agree by a majority vote, the members of it select a disinterested person as umpire and the award is final and binding. The agreement also stipulates that pending such arbitration of differences there shall be no strike or lockout or suspension of work. The national secretary of that union, writing on this subject, says:

"Experience has taught us that the method of adjustment of disputes by adjustment committees has been of much good. The system has not only brought employer and employee together to discuss the points, but as a result of such meetings, a better feeling has been engendered and, in many cases, employers and workmen follow a more rational course than they otherwise might do because of the fact that their action might show them to be grievously in error when reviewed by such a tribunal. Apart from the good thus derived, it aids greatly in the settlement of any disputes to have workmen remain at their employment pending consideration of the grievance and decision on same, for, where men either go on strike before an effort of the kind is made at adjustment, or if employers lock them out without following the process set forth in these agreements, we find it much more difficult in nearly every case to satisfy the aggrieved party about the strike or lockout than it is to adjust the original grievance."

The national officer of another strong labor union says:

"On the matter of arbitration I wish to say that it is one of the principles of our Association, even embodied in our constitution, to encourage arbitration wherever possible, and in nearly all of our written agreements with the various

companies a clause providing for arbitration for settlement of disputes is embodied. Our Association has been very successful in the matter of arbitration. One of the influences of the arbitration clause in our agreements is to bring about satisfactory mediation between the companies and our locals and it is but seldom that questions are allowed to reach the arbitration stage. Apparently, the company and the employees rather distrust the outcome of arbitration and the provision stimulates conciliation and were the agreements not protected by the arbitration clause, I apprehend the questions at issue would not receive serious and candid consideration that they now receive from both parties. The results of arbitration, so far as our experience goes, are generally beneficial, although at times the disappointed party feels that the other has gained an advantage by the decision, but when the storm blows over and the field is surveyed, the results are very satisfactory and serious conflicts are aborted and generally avoided. The greatest number of our arbitration cases have grown out of serious contentions where no provision existed between the parties for such arbitration. For instance, there are but very few strikes that do not ultimately reach some form of arbitration and which are not so decided and even then the result is no better and possibly not so beneficial as it would have been had the issue been arbitrated previous to the strike."

That the railroad brotherhoods believe in the adoption of arbitration as a means of settling differences which are of an arbitrable nature is evidenced by the declarations of their international conventions on the subject; by their strong and active efforts to secure the enactment into law of the Federal statute hereinbefore referred to and by the numerous instances in which they have sought the good offices of arbitrators in practical ways. Their experiences with arbitration have been satisfactory and encouraging.

The National Founders Association, organized some three years since, now has 400 members, employing 30,000 men. Joint conference with representatives of the Iron Molders Union was sought for the purpose of laying the foundation for permanent peace in the industry. The conference agreed upon a plan of arbitration which was promptly ratified by both associations, and which provided that there should be no strike or lockout until after arbitration had failed to find an adjustment of the differences. This agreement has proven most satisfactory and the arbitration feature of it has been frequently called into operation with gratifying results. It has not served in every instance to avert friction but in general it has done so and has operated to draw the employers and the employees in that industry much closer together

in relations of business confidence, out of which still greater good must grow.

Recent expressions and acts on the part of some who are prominent in employers' associations justify the conclusion that human nature is human nature whether it be under overalls or white vest. The Secretary of the Chicago Manufacturers' Association is quoted recently as saying "Arbitration is a fraud of the rankest kind" and "It was stricken from the principles of the Association after a three months' trial." Such expressions are as intemperate, extreme and inconsistent as the utterances of the veriest blatherskite under the guise of a labor leader.

Guy Warfield, in the *World's Work* for March, discusses conditions among the anthracite coal miners of Pennsylvania since the filing of the award of the Anthracite Coal Strike Commission. He sums up his conclusions as follows:

1. "The Board of Conciliation and Mediation has proved a greater advantage to the coal companies than to the miners.

2. "The nine hour day is no shorter or more profitable than the ten-hour day.

3. "The old difficulties which the arbitration board was supposed to have removed still exist.

4. "Even with the ten per cent. wage advance and the sliding scale, the average miner complains that he is no better off financially.

5. "Arbitration has not proved as successful as it was expected to be."

It is not worth while to discuss the statement that a nine-hour day is no shorter than a ten-hour day, or that workers are no better off after having received 12 or 15 per cent. wage advance.

What the Commission hoped for in the formation of the Board of Conciliation and the requirement that disputes be settled through and by it was that the coal operators and the coal miners, who had drawn as far apart as it was possible for employers and employees to get, would, through experience in this Board of Conciliation, come to realize the desirability and importance of adopting conciliatory methods and, if necessary, arbitration, in the settlement of disputes rather than the strike and lockout which have been so freely resorted to in the past. If the Board of Conciliation has proved a greater advantage to the companies than to the employees, no doubt it is because the contentions of the companies in the cases

that have been brought to the Board were possessed of more merit than were those of the opposing side. It was not to be expected that all the bitterness and suspicions that had been engendered through years of strife and warfare could be set aside within a few months, and it is yet too soon to say that the experiences of three years under the methods of conciliation and arbitration will not in the end bear the fruit that was hoped for by those who made the provision. The fact that this greatest of industrial struggles was submitted to arbitration was one of the highest triumphs of the principle and the most marked example of the final recognition of the rights of the affected public the world has ever seen. Benefits far in excess of those which would have been willingly accepted by the miners at an earlier stage came to them through the award of the Commission. A national calamity was averted and organized labor was lifted to a higher plane than it had before occupied.

Much has been said and written about compulsory arbitration. The term is paradoxical and self-contradictory. The true meaning of arbitration is a quality of perfect fairness under which the contestants are willing and prepared to act in good faith. There is no compulsion about it and when compulsion comes in, the true spirit of arbitration must necessarily depart. Volumes have been, and will be, written as to the advantages and disadvantages of compulsory arbitration in New Zealand, but even if it be admitted for argument's sake that the practice is generally satisfactory there, it by no means follows that it would be of advantage or that it would fit in at all in this country where conditions, ideas and ideals are so radically different from those in New Zealand. On the whole, compulsory arbitration may be said to have not been a shining success in the colonies where it has been tried. In free America it is a glittering impossibility. The paternalism which the system necessarily exercises dwarfs rather than develops individual character and initiative. It would not harmonize with the progressive ideas of the Western Hemisphere. In New South Wales, recently, two hundred miners refused to comply with the award of the State Arbitration Court and an attempt to punish them utterly failed. A recent award made by the New South Wales Arbitration Court stated that the award "contemplated"

a continuance of operation. It did not say that the employees should remain at work or that the operators should keep the industry going, but did say that while work continued it must be under the terms of the award.

Many of the States of the Union have provided State Boards of Mediation and Arbitration. In numerous instances such boards have succeeded through mediation in materially relieving strained situations and in some instances have averted serious conflicts. Their duty is to offer their services and not infrequently peace can be maintained through mediation of a third, disinterested party when neither of the contestants would suggest a middle ground upon which both could stand. The feeling seems to be that to suggest a compromise would be a sign of weakness. There has, however, never been much of a disposition to accept the State Boards as arbitrators. Standing boards of official arbitrators are not looked upon with favor, especially by the unionists.

There has been but little effort to give arbitrary or compulsory power to such State Boards. In 1899 the State of Kansas enacted a law for compulsory arbitration of disputes between railroad companies and their employees, which provided that the railroad might be placed in a receiver's hands if necessary to secure compliance with the act. This law was promptly declared unconstitutional and was never effective. A law, said to be a drastic measure, and providing for compulsory arbitration of labor disputes, is reported to have been passed in the closing hours of the last session of the Legislature of Maryland. Its operation and fate will be watched with interest.

Martin F. Murphy, writing for the *Glass Worker*, says:

"The industrial problems, so-called, can be adjusted in a large degree along the lines of least resistance and the line of least resistance, in my opinion, is voluntary arbitration." . . . "I conceive it to be the solemn duty, yea, the greatest duty of the men, who to-day happen to be in some degree the molders of thought on these profound questions, to spread the gospel of conciliation and arbitration, lest there come a crash between the economic forces in this land that will destroy the republic. I call upon those who are wage-payers to study their relations to their employees with a determination to get at the equities and uphold them. I warn some of you that you have many prejudices to bury and much wisdom to gain. I call upon those conspicuous

leaders of labor unions to beware of the temptations begotten by the arrogance of power."

Endorsing these expressions and with apologies to William Ellery Channing, and paraphrasing somewhat his forceful utterance, I would say: We should teach all labor leaders and managers of industries that there is no measure for which they must render so solemn an account to their constituents as for a declaration of industrial war; that no measure will be so freely, so fully discussed; that none of them can succeed in persuading the labor unionists or the stockholders to exhaust their prestige and their treasure and the comforts of their families in supporting industrial war unless it be palpably necessary and just.

If we were to eliminate confidence in the integrity of fellow man from business relations, our whole commercial structure would crumble to the ground. If we were to destroy belief in the honesty of judicial minds, all protection to property would disappear with the passing of the system of judiciary. If we place no reliance in the devotion to duty on part of those charged with conducting transportation by land and by water we would destroy the usefulness and effectiveness of our means of intercommunication. If we can—and we do—find plenty of men possessed of the necessary integrity, honesty of purpose, loyalty and devotion to insure the reliability and stability of our commercial, judiciary and transportation systems, surely there need be no great difficulty in finding those whose judgment and honesty can be confidently depended upon as arbitrators to fairly and intelligenty decide industrial disputes.

The best conditions possible of attainment in our industrial world must come through a willingness on the part of both sides to give careful and proper recognition to the rights of their opponents, as well as to the rights of the large numbers who are necessarily affected by a conflict between the two, and must come through a spread of the principles of the Golden Rule which includes the true spirit of arbitration.

E. E. Clark.
Order of Railway Conductors of America, Cedar Rapids, Iowa.

THE NEW UNIONISM—THE PROBLEM OF THE UNSKILLED WORKER

The rapid economic evolution of the last decade, which brought about the organization of a third of our industries into monopolies and combinations, has brought with it an equally portentous change in the organization of labor. A new form of industrial organization, "the trust," now dominates the world of capital. The "trust" came from a former decade, but the thing as we know it, "a dominating combination of money, property, brains, industrial or commercial enterprise or experience," is a creation of the last few years. The new "labor" unions, the form of labor organization the last decade has brought into power, are as distinct from the old "trade" unions as is the new industrial trust from the old legal makeshift that went by that name, or as are the new allied banks, trust companies, railways and municipal corporations from predecessors which accepted competition not as the exception but as the rule.

If the era of trusts has required the rewriting of political economy and industrial history, the era of new unionism requires the rewriting of the economic theory of labor unions and the recasting of the history of their development. The standard works on trade union economy and trade union history, based on English experience and the industrial organization of a period rapidly passing away, are as obsolete to-day as are the competitive economics of Adam Smith.

The policies of the new unionism, whether good or bad, are not the result of arbitrary acts of labor leaders. The evolution of industry itself, the introduction of new machinery, the further subdivision of labor and the integration of industries brought about by the increasing number of functions of the *larger establishments* and *trusts*, is forcing the new policies. We may approve of the increasing democracy of the new unionism, of the decreasing frequency and success of the restrictions on machinery, output, and apprentices; or we may disapprove of the reduction of wages to a level, of the growing use of the boycott, the sympathetic strike

and political action and the increasing area and intensity of the strike. But each and every one of these policies is a direct and necessary result of the fundamental change evolution of industry is effecting in the character of the work the workman is required to perform.

In Great Britain, and in this country until recent years, the unions were composed of workmen relatively skilled, because in most industries skilled work was formerly more important than unskilled. Now the situation is almost completely reversed. New machinery and the better organization of industry has reduced the relative number of skilled men employed, has simplified their work and has bridged the gulf that formerly separated them from the unskilled by introducing an elaborate system of helpers and general hands. In times of severe strikes these latter workmen can replace a large part of the skilled men. Recognizing this fact from hard experience one union after another has decided to take the unskilled in. Once taken in the unskilled form a majority of the union. Then follows the abandonment of time-honored customs, the adoption of new policies as unwelcome to the employer and less understood by the public than were the old, and in short a revolution in the labor movement.

The key to the new unionism is the new importance of unskilled labor. The old unions, consisting of skilled men, demanded higher wages for themselves and left unskilled labor where it was. The economic basis of their demand was the "skill" they possessed. Their monopoly or partial control of a certain grade of labor, their "rent of ability" was due either to dexterity, that is, to the greater difficulty and longer apprenticeship of their trades, or to its degree of separation from the next most similar operation of some other class of workmen. The introduction of new machinery and the further subdivision of labor both decrease the amount of dexterity required and place helpers at operations nearer to that of the "skilled" worker. Both his skill and his monopoly of his trade are threatened with extinction.

Intelligence, a general understanding of machinery, an ability to co-operate with the next man, are perhaps more required than ever, but the old "skill" of the artisan and the old exclusive lines of the trade are becoming a thing of the past. Men are more specialized than ever, in the sense of being divided into more classes.

But the difficulty of passing from one of the new classes to another is not so great as it was nor is so much time required to learn the trade.

The reader will recognize the truth of the above generalizations as to the changes in the character of the modern workman's tasks, but he will not appreciate their importance until he has examined the result of the recent Census.

Already the unskilled constitute a heavy majority in industry. In 1900, there were 11,358,312 working *men* in the United States, if we include as workingmen all employees in trade, transportation, manufacture and direct service, and exclude only agriculture and professional service. (See Census of Occupations, Twelfth Census, Vol. II, p. cx.; I, IV.) Of these a large proportion are relatively unskilled, including for instance 2,505,267 laborers, 1,106,306 clerks and salesmen, 538,029 teamsters. But this is only the beginning. Among the enumerated employees of the building trades are some 1,200,000 workingmen. Of these 600,000 are carpenters, mostly not very skilled and about 100,000 are helpers, apprentices, etc. Of the 581,728 employees of mines and quarries in 1902, only 324,430 are entered as miners and quarrymen. Of the others 152,302 are entered as other wage-earners who are principally unskilled; 18,376 are miners' helpers, 8,740 firemen, 13,544 timbermen, 11,857 boys under sixteen years of age, etc. (See Bureau of Census, Bulletin 9.) Of 1,189,315 railway employees enumerated by the Interstate Commerce Commission in 1902, 886,220 were neither officers, station masters, engineers, firemen, conductors, machinists, carpenters nor telegraphers, but "other" station men, trainmen, shopmen, trackmen, switchmen and clerks, all classes that are relatively unskilled.

So with the manufacturing industries. Here we may divide the workers into relatively skilled and unskilled, by selecting as a dividing line some wage rate which includes above it those classes known as skilled workers, and below it those known as unskilled in the trade itself. The Census of Wages and Employees showed that three-quarters of the men in the cotton industry, for instance, were employed in occupations in which the majority did not receive as much as $10.00 a week, and a majority of the women in occupations in which most of them did not get $6.50 a week when the mills were in operation. The same proportions applied to all the industry,

as well as to the establishments examined, would show 105,000 males and 63,000 females in the class of relatively unskilled workers.

The same method of calculation shows large numbers to fall within the classes of the relatively unskilled in nearly every industry. A majority of the indicated number of employees in the industries in Table I received less than the indicated remuneration when at work. The average *earnings* are not given. As distinct from the wage rate, the earnings would in each case be less than the latter in proportion to the number of days the men were idle through the closing of the works, accidents, sickness or any other cause. In some of the industries the regular seasonal idleness is as much as a fourth of the year, and to this must be added all idleness affecting the individual workman.

TABLE I.

UNSKILLED LABOR IN ELEVEN LEADING INDUSTRIES.

Class	No. of Relatively Unskilled	Per cent. total Employees	Highest Median Rate of Wages per week
Cotton	272,575	90	$10.00
Clothing, factory product	249,852	91	11.50
Lumber and Planing Mills	263,780	74	10.50
Iron and Steel Mills	212,000	80	12.00
Carriages and Wagons	48,741	69	12.50
Boots and Shoes	107 215	75	12.50
Flour Mills	25,951	70	12.50
Agricultural Implements	31,741	78	12.50
Foundries and Metal Working	227,500	65	13.50
Printing	66,410	41	9.50
Glass	26,937	51	11.50

Among the male employees in the cotton industry I have classed as skilled only the foremen, beamers, loom fixers, spinners and section hands, and as unskilled the general hands, laborers, helpers, weavers, etc.; in the lumber and planing mills the unskilled include the laborers, machine tenders, sorters and teamsters; in the foundries and machine shops, assemblers, laborers, helpers, machine operators, and general hands; in the carriage and wagon factories, finishers, laborers, helpers and general hands; in the clothing trade, sewing machine operators, bushelers, general hands, etc.; in the flour mills, all except millers and foremen; in the printing establishments, the women workers, general hands, laborers, helpers

and apprentices; in the boot and shoe industry, the women workers and all male employees except cutters, edgers and foremen. According to this classification, a large majority of the workers are unskilled in every industry specified except printing and glass. The figures chosen as the dividing line between skilled and unskilled in these trades is a low one, but the relatively greater proportion of skilled labor is nevertheless exceptional since there are very few workers in either industry of the middle grade. They are, for the most part, either low-paid as indicated or else very well paid with weekly wages of $13 to $16, $18, or even $20. It must be remembered, however, that employment is very subject to fluctuation in both industries and that the annual earnings are correspondingly reduced.

It is probably a safe estimate then that less than one-third of the 11,358,000 male employees of industry can be classed as relatively skilled workers; that is to say, as men whose wages approach $2.25 a day or $13.50 a week *in good times and when employed.* What annual income this means can only be roughly estimated. The Bulletins of the Department of Labor of New York show an average amount of unemployment of about 15 per cent. among the members of unions in good times. The proportion of idleness among the unskilled workers (who are so largely unorganized) would be considerably greater. If we estimate unemployment, however, at 15 per cent. this would make the annual income in good times, slightly less than $600 for that class of labor we have classed as relatively unskilled. More than two-thirds of the male employees of the industries of the United States will fall in this class.

Three fundamental tendencies in the organization of the armies of industry have caused this astounding increase of unskilled labor:

First—Unskilled operations have been taken away from the artisan and placed in the hands of the unskilled.

Second—Skilled operations have been subdivided and specialized and the new work largely taken away from the skilled and distributed among unskilled workmen. At the same time the work remaining to the skilled men is simplified and the degree of skill required is lessened. To this double tendency is due the increasing uniformity of rates of wages of the skilled and unskilled.

Third—A third tendency results from the fact that similar differentiations have been going on in many different industries at

the same time. Machinists, molders, woodworkers, machine tenders, porters, packers, assemblers and common laborers, etc., are now employed in a large proportion of the great industries. Each of these tendencies can be studied in the Census returns.

First—Unskilled operations have been taken away from the skilled worker and placed in the hands of the relatively unskilled. This is clearly shown by the Census of Wages and Employees. (See Table II.) Dividing the employees between skilled and unskilled as before, we get the following increase of the number of skilled and unskilled workers in some of the leading industries. The relative increase of the unskilled is striking in every industry mentioned except cotton, which underwent the change before this decade, as is evident from the fact that nine-tenths of its employees fall within our class of the relatively unskilled.

TABLE II.

RELATIVE INCREASE OF SKILLED AND UNSKILLED EMPLOYEES IN LEADING INDUSTRIES.

Class	1890 — Men — 1900		Increase	P. C.
Agricultural Implements:				
Skilled	604	1,705	1,101	184
Unskilled	1,623	6,728	5,105	314
Lumber and Planing Mills:				
Skilled	260	284	24	10
Unskilled	337	418	81	24
Flour Mills:				
Skilled	132	128	4*	3*
Unskilled	803	1,381	574	70
Printing:				
Skilled	1,847	1,290	557	30
Unskilled:	605	894	289	44
Carriage and Wagon Factories:				
Skilled	463	382	81*	17*
Unskilled	395	504	109	28
Iron and Steel Mills:				
Skilled	671	735	64	9
Unskilled:	12,573	19,396	6,823	54
Cotton:				
Skilled	753	1,038	285	38
Unskilled	599	772	173	29
Boots and Shoes:				
Skilled	294	355	61	21
Unskilled	240	457	217	90

*Decrease.

Second—Skilled operations have been simplified and subdivided. Part of the work has been given to the relatively unskilled groups. The result has been (1) that the wages of the two groups have been brought towards a common level, and (2) that the wages of individuals of the same group or class have been equalized to a large degree.

The following tables (from the Census of Employees and Wages) show both tendencies. The Census replaces averages by medians; that is, the rate above which half the workers are paid and below which half are paid. Foundries and Metal Working has been selected for the first tendency as one of the most highly organized industries. It will be noticed that the skilled workers show, on the whole, a slight decrease while the unskilled show a considerable increase in the rate of wages. (See Table III.)

TABLE III.

RELATIVE CHANGES IN WAGES IN SKILLED AND UNSKILLED LABOR

	Medians 1890	Medians 1900	Change in per cent.
Foundries and Metal Working, Skilled:			
Foremen,	$18.00	$18.00	00
Blacksmiths,	16.50	15.00*	9*
Boilermakers,	13.50	13.00*	3*
Molders,	13.50	15.00	11
Carpenters	13.50	13.00*	3*
Woodworkers and Pattern Makers,	16.00	16.50	3
Sheet Metal Workers,	13.50	13.00*	3*
Engineers,	13.50	13.00*	3*
Erectors and Assemblers,	12.50	12.00*	4*
Foundries and Metal Working, Unskilled:			
Machinists,	9.00	10.00	11
General Hands, Helpers and Laborers,	8.00	8.50	6
Helpers, Blacksmiths,	11.00	10.50*	5*
Helpers, Boilermakers,	9.00	9.00	00
Helpers, Machinists,	9.00	9.00	00
Helpers, Molders and Core-makers,	8.00	9.00	12
Machine Tenders and 2d Class Machinists,	9.00	10.00	11

*Decrease.

The tendency of the wages of a majority of the individuals

in each class to approach a common level is also shown by the Census of Employees and Wages. "Quartiles" are those wage rates between which lie the wages of half the employees of each class. The difference between the quartiles is the range of the wages of half the employees of each class. The range in wages of the more important classes of labor in several industries is given. It will be noticed that the range of the wages of a majority of nearly every class of employees has either remained about stationary or decreased since 1890. (See Table IV.)

TABLE IV.

DECREASING RANGE IN WAGES.

	Range in Wages. (Difference in Quartiles). 1890	1900
Boots and Shoes:		
General Hands	$5.00	$5.00
Bottom Finishers	6.50	6.00
Stock Fitters	9.00	5.00
Clothing Trade:		
Sewing Machine Operators	7.50	7.00
Bushelers	2.50	3.00
General Hands	5.00	6.00
Agricultural Implements:		
Assemblers	5.50	4.50
General Hands, Helpers and Laborers	4.50	4.00
Machine Operators	5.00	4.00
Foundries and Metal Working:		
Erectors and Assemblers	7.00	5.50
General Hands, Helpers and Laborers	2.50	2.50
Helpers, Blacksmiths	4.00	3.50
Helpers, Boilermakers	3.50	3.50
Helpers, Machinists	2.50	3.00
Helpers, Molders and Coremakers	3.00	2.00
Machine Tenders and Second Class Machinists	5.50	5.00
Lumber and Planing Mills:		
Laborers	6.00	5.00
Machine Tenders	3.50	5.00
Sorters	2.50	1.50
Teamsters	2.00	1.50

The third cause of the increase of the importance of the unskilled is the increasing importance of certain common operations as transportation, packing and power production in every industry.

This tendency has greatly added to the number of workers in these occupations in every industry where they are found. (See Table V.)

TABLE V.

INCREASE IN RELATIVELY UNSKILLED OCCUPATIONS.

(See Census of Occupations.)

	1890 — Men — 1900		Increase	P. C.
Laborers (not specified)	1,858,558	2,505,287	646,729	34
Draymen, hackmen, teamsters, etc.	368,265	538,029	169,764	46
Engineers and F'm'n (not locomotive)	139,718	223,318	83,600	59
Porters and Helpers (in stores, etc.)	24,002	53,625	29,623	123

We have shown that unskilled labor is already in the majority in most industries; that its importance is increasing; that it is becoming less separated from skilled labor; that there is a tendency toward a leveling in wages, and that not only the lines separating the trades within each industry are breaking down, but also there is a great group of trades that flourish in several, or in nearly all industries, thus bringing them into the same labor market. We must now show the social results of these economic forces. First, two great facts that urge the unskilled worker to active discontent must be recalled to mind.

First, unskilled labor has not secured its share in our prosperity. The Census of Employees and Wages shows that wages in many industries were stagnant from 1890 to 1900, a period in which the per capita wealth and income of the nation increased over 19 per cent. Of twenty-five leading industries examined in the Census of Wages and Employees, only eight showed any noticeable increase; four showed marked decreases and 13 paid about the same wages in 1900 as in 1890.

Second, unskilled labor has suffered most from instability of employment. The railroads discharged 93,000 employees from July 1, 1893, to July 1, 1894, nearly 11 per cent. of the total employed. The number of officers and station agents was, however, actually increased during the year. Section foremen were practically undisturbed. Less than 11 per cent. of the engineers, firemen, conductors, switchmen, machinists and other shopmen were let out. But 12 per cent. of the relatively unskilled trainmen and shopmen, 16 per cent. of the section hands and 19 per cent. of the "other" employees and laborers were discharged. The unskilled workers

go first because they can be more easily replaced when needed again. They are made to shoulder most of the burden of hard times. The unrest of labor is not then to be attributed to the unions, but to low wages and irregular employment. Since the census of 1900 the wages of the unskilled have risen slightly, but none of the statistics available indicate a rise as rapid as that of the cost of living. Moreover, the tendency of wages is now downward again and steadily decreasing employment has already thrown hundreds of thousands out of work. Under these conditions the pressure to strike comes, not from the labor leaders, but from the rank and file and even in very many instances from the unorganized.

The unions are no longer ignoring unskilled labor. There is hardly one of them, the very existence of which is not threatened by this reserve army of hungry, restless and unorganized workmen. They have boldly tackled the problem, but they have not solved it. It is only recently that their efforts to organize the unskilled have met with any success. Until the last decade their work had been almost entirely with the relatively skilled.

Only about 3,000,000 workers are so far organized into the unions. Since there are almost 4,000,000 in the class of the relatively skilled, it has been widely, but wrongly, inferred that the unions are operating and must operate nearly altogether within the ranks of skilled labor, and it has been doubted if the trade unions have shown any ability or anxiety to handle the problem of the unskilled. From English testimony it would seem that this has largely been true in that country, but the history of the trade unions in the United States in the past five years has tended to prove the very reverse to be the case in this country. Not only are the unions here taking up the organization of the unskilled in order to strengthen their present position but they find that they are forced to organize them in self-defense.

The newer, more successful and more rapidly growing unions belong to another economic period from that in which the old ones had their origin. As a result of the growing importance of unskilled labor they are dominated by its demands, the character of their membership has changed, their methods of fighting have changed and their attitude towards industry and the public is the process of becoming completely reversed.

The militant policy of the new unions as that of the old rests on the fundamental assumption that the members do not expect to rise from their class but with it. The wage earner in the words of Mr. Mitchell, "has made up his mind that he must remain a wage earner and that he will never become a capitalist." But the new unionist has gone further than this. Forced by economic development he has broadened his conception of what constitutes his class. He has come to see that his future does not lie in building up a monopoly of labor in his trade. He has already made up his mind that he must cast in his lot with all the workers in his industry and he is now coming to feel that his lot is bound up with that of the whole working class. The old trade unions are rapidly being absorbed by the new trade and industrial unions, and these in their turn by the nation-wide labor movement.

No better or more important illustration of how the new union fights can be found than the Anthracite Coal Strike. The success of the miners was based on the following policies:

First—The organization of all the men skilled or unskilled about the mines, including even laborers, teamsters and engineers—the appeal to unskilled labor.

Second—The appeal to all other union men and to sympathizers in the mining districts; successful calls for financial aid, for social ostracism of non-union men, for the use of the boycott and the political action which resulted in the State law which forbade imported miners to operate without a license.

Third—Finally the union appealed to the whole public. The broadest policy of the union was to conduct itself so as to prevent consumers of coal from placing the blame for their sufferings on the shoulders of the miners. Favorable public opinion not only in the mining camps, but of the nation at large had to be secured. It was this primarily and not the sufferings of the men that forced the President to interfere in the union's favor, and brought about the final union success.

The United Mine Workers as a result of this strike is not only the strongest organization in the country, both financially and numerically, but also the most typical of the new unions. Let us contrast its fighting methods with the Machinists' Union, which was a few years ago struggling in vain with the old policies and

has only recently adopted the new standpoint. Several years ago the machinists instituted what became almost a national strike. Employers were not organized and the union at first met with considerable success. But it was following the old restrictive policies. It was attempting to maintain control over the supply of skilled labor. The unskilled it kept out. The normal course of industry soon brought it about that there were more "helpers" and "machine hands" outside of the union than there were "machinists" in it. The employers now organized, adopted the open shop and the employment bureau (a potential blacklist), and wielded this reserve army against the union. In many localities the union has found itself helpless. In some of the largest manufacturing centers the employers have almost succeeded in putting it out of business. During the late industrial boom, union wages were paid and union hours prevailed, but the union was not recognized, and union machinists fear that this presages a reduction of wages and an increase of hours when work becomes slack.

The union at last saw that the revolution which had taken place in the industry demanded a revolution in the union. At the recent convention in Milwaukee, the most momentous struggle in its history took place between the advocates of the old and the new unionism. After a series of the stormiest sessions, it was decided that the old policy must be abandoned. Helpers, machine hands and everybody that works about lathes, planers, drills, etc., are to be admitted to the union ranks. The decision has already been acted on. Only recently one of the metal workers' unions, which had already taken in a number of unskilled men, has been amalgamated with the Association of Machinists and tens of thousands of unskilled workers admitted by a single act.

The attitude of the new Unionism toward industry itself is as completely the reverse of that of the old unions as is its attitude toward the unskilled workers, toward the labor movement and toward the public. As a result of the need of the co-operation of the unskilled workers in the unions, all effort to restrict the entrance of new men into the union or the trade is abandoned. Since nearly all workers are becoming potential competitors, the union is anxious to secure as many members as possible. The rigid definition of the line between skilled and unskilled work is given

up because the unskilled workers constitute a majority of the new union and insist on free admission to the ranks above them; restriction of apprentices is gradually abandoned. The wages of the unskilled workers are advanced more in proportion than those of the skilled workers for the same reason. The subdivision of the workers into the many different classes is opposed on the ground that it has a tendency to bring internal conflicts into the union.

Restriction of output, if still maintained, is maintained on new grounds: the unwillingness of the men to overexert themselves to the verge of nervous exhaustion, spells of sickness and premature old age. The old unions systematically restricted output and worked for an under supply of skilled labor. This they could obtain either by diminishing the supply or increasing the demand. By means of tacit or expressed agreements among the employed to do less work they increased the demand. They called this making the work go round or making it last over into periods of slack employment. Now, with a surplus supply of labor accessible, if not actually at hand, the competition for employment among the members of the unions and the potential competition of those who may become members of the union at any moment is so great that these old policies are being abandoned. It is only in the union shop that such tactics can be safely and continuously employed. The open shop with the freedom it gives the employer to discharge unsatisfactory men has given them their death blow.

Restriction of machinery has taken a new form. It now prevails principally where some revolutionary change is in progress as in the introduction of mining machinery in the coal mines. The new coal-mining machines are being fought by the unions not directly, but through a differential against the machine. A higher rate is charged for the machine men, not so much because their labor is more skilled, as because of the desire to check somewhat the introduction of the machines. This differential is, however, frequently changed. There is no effort to prevent the introduction of machinery, but only to make it sufficiently gradual, so that there will not be a sudden replacement of the men by a different class of workers. Since the unskilled are now generally in control the effort to prevent a machine from taking the place of some small

group of skilled workers has been almost entirely abandoned. The new employers' associations have been fighting effectively the remnants of this policy that still remain.

The startling union successes of recent years have been among the unions that follow the new policies. This is shown by the relative numerical increase of the various unions. Since the beginning of the recent days of prosperity in 1898 or 1899 all the unions have grown. Their total membership has been more than doubled, but the growth has been very unequally distributed. The old type of union of skilled workers has grown steadily but slowly with an average increase of something more than 50 per cent. Among these are: The Railway Employees, The Building Trades, Printers, Cigarmakers, Brewery Workmen, Iron Molders, Boilermakers and Blacksmiths and Iron, Steel and Tin Workers.

Another group of organizations, all of them either new or practically reorganized in recent years, has had a total growth of approximately 300 per cent., as indicated by its representation at Conventions of the American Federation of Labor: It includes The Coal Miners, The Metal Miners, The Street Railway Employees, The Seamen, The Longshoremen, The Ready-made Clothing Makers, The Boot and Shoe Workers, Meat Packers and Butchers, The Machinists, The Teamsters, The Woodworkers, The Stationary Engineers and Firemen.

These newer unions would seem at first to have nothing in common. The teamsters and longshoremen work in trades where there is little or no machinery to be handled while the woodworkers and machinists are exclusively machine employees. The miners embrace all the miscellaneous trades employed by the mines, whereas the stationary engineers and firemen are isolated either as individuals or small groups in every sort of an establishment where steam power or heat is required. The clothing makers and the boot and shoe workers are quite largely women while the trades just mentioned are exclusively men. But all are composed largely of relatively unskilled labor. The new growth among these unions as well as most of that of the old unions is almost entirely among the unskilled. The new growth in the old unions of the building trades is largely among those branches called unskilled by the trade itself.

The new unions fall into two widely different classes which

seem on the verge of disrupting the whole labor movement, the "industrial" union and the new "trade" union. The "industrial" union claims to embrace every employee of its industry in all its trades. The miners, for instance, embrace both teamsters and engineers employed at the mines. The new "trade" union claims to have a right to embrace all the workers at the trade in every industry. The old unions were called "trade" unions but they were fundamentally different from the new "trade" unions of to-day. They were largely recruited from *a single trade within a single industry.* The compositors, for instance, are undoubtedly a trade union, but they are employed only in printing establishments. The machinists are a trade union of a new type. They are employed in machine shops, engine shops, boiler shops, shipbuilding yards, carbuilding shops, agricultural implement shops and in nearly every important industry. Teamsters, to take a newer and even more striking example, are employed by nearly every industrial establishment in the country, as also are engineers and firemen.

The causes that gave origin to the industrial unions are the increasing proportion of unskilled workers in the industry, the decreasing sharpness of definition of the line between the skilled and unskilled trades and the greater ease with which the occupations of the skilled can be learned by the unskilled.

The origin of the new *trade* unions lies in the ability of workers in the various trades to take up similar occupations in other industries than those in which they are employed. A change of industry always necessitates some adaptation in the workman, nor is it possible for men of a given trade to transfer themselves from a given industry to every other industry in which men of the same trade are employed. But it is possible for employees in a trade A, to transfer themselves to another trade, B, and for the employees of the trade B, to transfer themselves to the trade C, etc. A milk wagon teamster cannot become a coal teamster in every case, but he can usually find some teamster's or driver's work less strenuous to which he may adapt himself, while many classes of teamsters, such as van drivers, etc., can learn to replace the coal teamster.

Both forms of new unionism then, industrial unionism and the new trade unionism, are the result of these deep-seated economic

characteristics of our age. They both result from the increasing importance of unskilled labor.

Industrial unionism requires the organization of the unskilled primarily because the modern strike means a shut down of the whole industry. But the shut down of an industry means that all must be idle. Skilled and unskilled must strike together and share the expenses as well as the benefits of the conflict.

The new trade unionism means the organization of the unskilled because no boundary between skilled and unskilled labor can be drawn inside of the trade. How is any rigid test to be set up for admission into the organization of the firemen or teamsters' unions, or even those of the machinists or of the woodworkers? There may be high degrees of specialization and even of skill within the trades, and yet the specialties are so closely related that they shade off into one another by imperceptible degrees.

These two new forms of unionism are everywhere superseding the old. The machinists, the iron, steel and tin workers, the brewery workmen and the printers have already broadened their policies to adapt themselves to the new idea. The building trades have long been closely associated in the cities and towns in the Building Trades Councils where the trade organizations are preserved, but are closely federated into an industrial group.

The two forms of organization seem to be opposed at every point. The industrial union fights for the control of the industry. It comes to see, therefore, that it cannot afford to antagonize the consumer of the product of that industry. In some cases, as in that of the miners, the public sympathy of the consumer alone is enough to insure victory. In others he must be persuaded to boycott non-union men, to patronize the union label or to refuse to ride in the street cars of an "unfair" corporation. The *trade* unionist, on the other hand, has little to fear or to expect from the consumer. He often does not hesitate to antagonize him. The trade unionists' wages are not a very large factor in the cost of any given product and do not, therefore, concern the purchaser of the product.

The contrast between the two types of unions can also be seen in their attitude towards politics. Where labor is well organized, as in the mining camps and manufacturing towns, one or another of the

industrial unions dominates local politics. The trade unions are powerful politically only in the large commercial centers.

The contrast is equally marked in the fight with organized employers. Wherever a combination or monopoly does not already exist to unite the employers, the industrial unions have given rise to the relatively conservative employers' trade associations. The trade unions, on the other hand, have been the principal cause of bringing into being the local employers' associations, which have, in many cases, taken into their ranks, not only every class of manufacturer, but also banks, commercial houses and even professional men. These are the radical associations that lead in the fight for the open shop and are the first to introduce the new blacklist, the so-called employment bureau.

The industrial organizations are universally favorably disposed towards the trusts and larger employers while the trade unions are as likely to prefer the smaller employers and competitive industry. Industrial unions are universally and necessarily in favor of the regulation of the trusts. Their aim is the representation of the industry in politics and in many cases, as that of the brewery workmen, the boot and shoe workers and the Western Federation of Miners, they favor socialism or the assumption of industrial functions by a democratic state.

Again the industrial organizations are very often protectionist. They realize that the lowering of the tariff might, in some cases, mean a serious decrease in the amount of employment afforded by their industry. The trade unionists are usually free traders. They are anxious to obtain a lower cost of living and have little to lose from the lowering of the tariff on any particular industry, *e. g.*, the building trades, teamsters, stationary firemen, engineers, etc.

The trade organizations are more interested in local politics, sometimes on account of laws regulating their trades as with the engineers and building trades, sometimes on account of the conditions of public contracts they can control, as with the teamsters, the building trades, and so forth. The industrial organizations operate principally in industries that have a national market and are more subject to the national and state governments.

The last and most important differentiation is the direct conflict arising when jurisdiction over the same men is claimed by both types

of unions. The new trade unions, such as the teamsters, engineers and firemen, machinists and woodworkers, are engaged in bitter conflicts with the industrial unions, miners, brewery workers, slaughter house employees, etc., to decide to which union workingmen belonging to the former trades, but at work in the latter industries, shall belong. The contest between the skilled and unskilled workers that was formerly waged within the labor movement and threatened to limit it to the upper third, the aristocracy of labor, has disappeared. In its place has risen the fight between the industrial and the trade union, a fight that, far from disrupting the labor movement, can have but one result—to solidify all the unions into one complex and differentiated but unified whole.

Neither type of union can drive the other out of existence since both are the result of deep-seated economic causes. It is sometimes hastily assumed that the new type of union is the industrial union and that it is replacing the trade union. On the assumption of this necessary conflict the whole labor movement is at present split into two camps, the trade autonomists and the industrialists. Mr. Gompers is a trade autonomist. Mr. Mitchell is an industrialist. Of course, they have effected a working compromise but every convention of the American Federation of Labor is torn by the dissensions of the two factions. The fight is largely based on the failure to distinguish between the old and the new "trade" union. Neither industrialist nor trade autonomist can win, because each represents a principle of modern industry. The trade autonomists reflect the tendency of all industries to introduce into their development certain common classes of employees, and, therefore, certain common elements. In the ranks of capital a similar tendency is seen in the common control by some of the large monopolies of subsidiary industries in which some product of the monopoly is an important factor. The industrial union, in recognition of this tendency, seeks to include in its ranks all the employees of this new type of industrial organization.

Another tendency of capital is to tie several industries together on the community of interest plan. Railroads, banks and groups of capitalists gain the control of industries with which they are affiliated. The only bond of affiliation seems to be the common need of all industries of financial and transportation facilities. So the new trade unions, recognizing the common need of many industries for

certain classes of labor and the fact that these industries compete against one another for this labor, have organized it along trade lines in all these industries to prevent the hostile employer from drawing non-union labor from other industries.

In the sphere of capital it is evident that no agreement between the two tendencies can be reached until all industries are thoroughly integrated and organized in a single mass. Already a few groups of capitalists dominate the more important industries. In the same way, the conflict between industrial unions and trade unions of the new type must continue until both are fused into a unified labor movement.

The trade and industrial unions are not in necessary conflict—they are the warp and the woof of the new labor movement. As all the workers in an industry must fight together or not at all, they must belong to a single industrial union. Since workers in different industries are employed at similar tasks, and are in competition with one another and must also be organized by trades, if they are not to be used against one another by the employers; since the labor market for some trades is not confined to a single industry; therefore, the union cannot be confined to that industry.

The only possible solution is one already coming into vogue—the exchange of cards between the unions and the recognition that trade and industrial unions must act together. This is not the principle of the Federation of Labor, which recognizes trade and industrial autonomy, but a radically new one. It can lead to but one result—the solidification of the labor movement with all the far reaching implications that must follow when the barriers that the unions have so long recognized between trade and trade and industry and industry fall. For the unions of the larger industries must then act closely with the unions of many trades, and the unions of all the trades must co-operate with those of many industries. With the innumerable combinations that must arise there will inevitably be woven the texture of a unified labor movement. Already the sympathetic strike, the financial assistance lent by all the unions to those involved in severe struggles, the boycott and common political aims, such as the eight hour and anti-injunction laws, require for their success the generous support of many unions and forecast a unified movement.

Organized capital is fast becoming one. Organized labor is not far behind. But the coming of monopolies and a general community of interest of capital has not been accompanied by monopolies in labor, but by precisely the reverse tendency, the increasing competition among individuals, the opening up of the skilled trades to the unskilled, the combination of the two classes in each industry, the development of a general labor movement, the broad appeal to the consumer and finally to the general public and the state.

When the industrial unions and trade unions shall have formed an effective treaty of peace, there will be no interval or stopping place until the complete organization of labor is reached. The amalgamation of all the labor unions into a single body or the increasing agreement on the part of all the unions on certain common lines of action, will create perhaps the most powerful economic and political force this country has produced. When once the union policies have been so broadened as to make room for unskilled labor as is the case to-day, there seems to be no reason to suppose that they will stop short of complete unity. They will then have, acting together in one organization, the majority of the consumers, voters and citizens of every industrial community in the United States.

William English Walling.

New York City.

POLITICAL ACTION AND TRADE-UNIONISM

The proposal to make political action a feature of American trade-unionism, although always a topic of discussion among organized workers, and at times a subject of practical experiment by certain bodies, may be said to have first assumed definite national form at the convention of the American Federation of Labor held in Chicago in 1893.

The history of the debate and action thereon, covering the intervening decade, constitutes perhaps the most important epoch in the labor movement of the present generation. Upon this presumption these events seem to justify more detailed and consecutive treatment than has as yet been accorded them. During the period covered by this paper the growth of organization among the workers in the United States has been phenomenal. The extent, character and circumstances of that growth have presented a great opportunity, and also a great danger. Speaking generally, it may be said that the labor movement has fairly well availed itself of the former and in the main avoided the latter of these situations.

Throughout the various crises of the decade, the American Federation of Labor has maintained the course that, as the results have frequently shown, is best calculated to conserve the true interests and continued progress of its own membership and of the industrial world at large. The disposition and power to maintain this attitude is due mainly to the long discussion of political action as a necessary or desirable adjunct, or complement, of trade-unionism.

At the Chicago convention a "political programme" was introduced. The discussion thereon shortly resolved itself into a proposal to refer the entire subject matter to the affiliated unions for "favorable consideration" and instructions to the next convention. A resolution to this effect, but with the word "favorable" stricken out, was adopted. When the convention met in Denver, in 1894, the "political programme" was again brought up for action.

The preamble of the programme was as follows:

WHEREAS, The trade-unionists of Great Britain have by the light of experience and the logic of progress, adopted the principle of independent labor politics as an auxiliary to their economic action, and

WHEREAS, Such action has resulted in the most gratifying success, and

WHEREAS, Such independent labor politics are based upon the following programme, to wit:

Mr. Adolph Strasser, a representative of the Cigarmakers' International Union and a leader of high intellectual attainments and wide knowledge of the economic and political activities of the workers throughout the world, moved

That the preamble be stricken out, being a misrepresentation of facts.

The debate on this motion centered upon the question as to how far the preamble misrepresented the action taken by the British Trade-Union Congress held in Belfast during the previous year. The prevailing opinion was that the action of the Belfast gathering was without warrant in the sentiment of its constituents, and had been repudiated by them. During the debate the author of the preamble admitted the comparatively slender basis of his claim in these words:

I simply want to say that, in the statement in the preamble, there is a sufficiency of truth to at least protect any man from being charged with bold misrepresentation.

Mr. Strasser's motion to strike out the preamble was adopted by a vote of 1,345 to 861, representing a membership of 134,500 to 86,100, respectively.[1]

The "political programme" here alluded to contained a number of planks, but the purpose of its mover and his supporters was embodied in a single one of these declarations, known as "Plank 10," which provided for "The collective ownership by the people of all means of production and distribution."

This was a plain declaration for Socialism, and was so regarded by its opponents and so admitted by its advocates throughout the debate upon it. However, it is characteristic of this and all

[1] Delegates to the convention of the American Federation of Labor cast one vote for each 100 members, or major fraction thereof, represented by them.

subsequent efforts to commit the American Federation of Labor to political action, that while the language of the proposals has studiously excluded the term "Socialism" (the term "political action *independent of the old parties*" being used in preference), its real object has been none the less apparent. Several amendments were introduced and discussed, and finally the convention adopted the following substitute:

> The abolition of the monopoly system of land holding and the substitution therefor of a title of occupancy and use only.

"Plank 10," in the form finally adopted, was a victory of Single Tax sentiment over that of Socialism. A motion to adopt the planks "as a whole" was defeated, owing to a misunderstanding. However, the succeeding convention formally adopted the planks, not as a "political programme," but as "legislative demands!"[2]

Notwithstanding their defeat at the Denver Convention of 1894, and notwithstanding the action of that gathering was based upon presumably settled lines of trade-union policy, the delegates holding socialistic views upon political matters have persisted in the effort to secure an endorsement of these views from each succeeding convention of the Federation. The result has been uniformly the same in each instance, *i. e.*, refusal to pledge or advise the trade-unions to take part, as such, in any movement in the nature of partisan politics. The following table shows the result of the vote on the "Socialist Resolutions" at each convention during the past ten years:

Year	Convention City.	No. of Dels. Voting.	For Political Action.	No. of Dels. Voting.	Against Political Action.
1894	Denver	34	91,300	36	121,700
1895	New York	16	21,400	68	167,600
1896	Cincinnati	..	.....	...	.....
1897	Nashville	..	.....	...	.....
1898	Kansas City	..	.....	...	.....
1899	Detroit	..	.....	...	.....
1900	Louisville	42	68,500	111	416,900

[2] This convention also adopted a constitutional prohibition against the discussion of partisan political subjects.

TABLE—Continued[3]

1901	Scranton.....	..	.....	...	.....
1902	New Orleans.....	90	417,100	140	489,700
1903	Boston.....	65	214,700	299	1,128,200

These figures show that during the seven years from 1895 to 1901 (inclusive) the sentiment of the conventions was very strongly against political action. Five of the conventions held during that period disposed of the subject by *viva voce* vote. The vote taken at the New Orleans Convention of 1902 would indicate that sentiment had turned in favor of political action. The figures in this case afforded merely a surface indication, however. It is a feature common to all the votes that have been taken upon this question, that in the final alignment of the delegates a number have been actuated by secondary motives. This was especially the case at the New Orleans convention. On that occasion seven resolutions were introduced, all having political action as their expressed or implied purpose. These were reported back with a recommendation that the convention non-concur therein, and, instead, adopt a reaffirmation ot the declaration, made by the preceding convention, that "our meetings, local and national, are now, and always have been, free to the discussion of any legitimate economic or political question, but, on the other hand, are equally pronounced against any partisan politics, religious discussions or race prejudices." To this report an amendment was offered, advising the working people "to organize their economic and political power to secure for labor the full equivalent of its toil and the overthrowal of the wage system and the establishment of an industrial, co-operative democracy." The latter was, in turn, amended by a delegate

[3]Delegates to the convention of the American Federation of Labor cast "one vote for every one hundred members or major fraction thereof" represented by them. In the table two ciphers have been added to the tally of votes cast, for the purpose of approximating the total membership represented in each case. Delegates from city trades councils and State Federations cast but a single vote each, but as the number of such delegates is usually relatively small the inclusion of their votes under the rule here adopted does not materially affect the result attained. Usually a number of delegates have, for one reason or another, failed to vote. Again, the actual membership of the Federation is always considerably in excess of that represented at the conventions. For instance, at the Boston Convention of 1903—an unusually representative gathering—the number of delegates present was 496, while the number recorded as voting was but 364. The actual membership was estimated at 1,465,800, while the delegates voting represented but 1,342,900.

The majority vote in the New York Convention of 1895 expressed the sentiment that the failure of the Denver Convention of the previous year to adopt the "political programme" as a whole "was equivalent to a rejection and, therefore, we declare that the American Federation has no political platform." Immediately following this vote a motion was adopted, providing that "these resolutions (*i. e.*, the planks adopted by the Denver Convention) be kept standing in the *American Federationist* as 'legislative demands.'"

representing the United Mine Workers, so as to strike out everything after the word "toil." This was accepted by the delegate who offered the first amendment, and thus the lines were merged. The political action amendment, having apparently been rendered innocuous by the proposal of the Mine Workers' delegate, received the vote of the delegates from the latter organization (representing a membership of 185,400) and also of many other delegates who upon a more definite presentation would have been recorded in opposition. The fact that, notwithstanding the misunderstanding in the New Orleans convention, the proposal in favor of political action failed of adoption by a considerable majority is significant of the powerful sentiment prevailing in the American Federation of Labor against such action.

However, the delegates of the Socialistic faith, and indeed the Socialists throughout the country, proclaimed the result of the vote at New Orleans as a victory for the principle of political action, presaging the "capture" of the Federation at an early date. These representations, although lacking any justification in the real facts of the case, had the effect of placing the labor movement in an equivocal position before the country. It was therefore determined, by common consent of the delegates in attendance at the Boston convention of 1903, that a decisive test should be made upon the issue, Politics versus Trade-Unionism. Ten resolutions of a political nature were introduced during the sessions at Boston. When these were reported back to the convention the committee briefly recommended unfavorable action. The custom on previous occasions had been to report some form of amendment to, or substitute for, the original resolutions, thus leaving the report itself open to amendment, with the resultant confusion of the issues. In this instance, the committee's object was, as announced by President Gompers, in ruling out a proposed substitute, to insure a clear understanding on both sides. This ruling of President Gompers was twice appealed from, and on both occasions it was sustained by a large majority, the convention thus expressing its acceptance of the lines of debate suggested by its presiding officer.

The discussion lasted nearly two days. The tone of debate was substantially the same as in former instances, although there was a more notable tendency on the part of many delegates to dis-

cuss the merits of Socialism and the attitude toward the American Federation of Labor of the individual Socialist inside and outside of the labor movement. Upon the whole, however, the debate was confined to the question as to whether the Federation should commit itself to political action on party lines or preserve its identity as a purely trade-union body.

The adoption of the committee's report against political action by a vote of 1,128,200 to 214,700 (the approximate membership represented by the delegates voting) may be regarded as demonstrating the result of ten years' constant and active agitation on the subject. Making every possible allowance for the uncertain quantities that enter into a calculation of this kind, there remains a reasonable assurance that the vote against political action represents at most the mean, rather than the maximum, of the sentiment on that score; whereas, the vote in favor of political action may be regarded as over rather than under the representation to which those holding that view are properly entitled. The nature of the subject and the circumstances of its discussion bear out this statement. Enthusiasm is proverbially and naturally the more prevalent among the aggressive minority in any conflict of arms or ideas. In any conflict involving a political issue the quality of enthusiasm is especially potent, since politics, being essentially a matter of faith, is largely a matter of individual leadership. In this view of the subject it may reasonably be assumed that the leaders of political action sentiment in the conventions of the American Federation of Labor have derived part of their support from men actuated by a spirit of admiration for their leadership rather than by a sense of conviction upon the merits of the ideas expounded by them.

The convention of the American Federation of Labor is, within the widest practicable limits, an absolutely free forum. "Programming" is unknown; debate follows the limits of latitude which the individual delegate chooses to impose upon himself, rather than the strict rules of parliamentary usage. These conditions insure a perfectly free discussion upon all questions; moreover, they enable the delegates to exploit their views by devices calculated to appeal to the wish rather than to the thought of their hearers.

On the whole, it is reasonably certain that the vote against political action is fairly representative of the sentiment prevail-

ing among the two million workers affiliated with the Federation. Taking into consideration the probable sentiment of the labor organizations unaffiliated with the latter body, the membership of which may be estimated at half a million, and deducing their views upon this subject from the fact of their conservatism in other connections, it follows that the vote here noted falls considerably short of recording the full strength of the opposition to political action among the trade-unions of the United States.

The position of the American Federation of Labor, as gathered from its records, is that, while rejecting the proposal of political action by the trade-unions, as fundamentally opposed to the proper purpose of these bodies, it favors discussion and action upon legislative lines. In other words, it seeks to secure favorable legislation from the existing legislative bodies without reference to their political make-up, leaving to the individual trade-unionist, in his capacity as a citizen, the duty of voting as his experience and judgment dictate and, if need be, of organizing with his fellows for the attainment of political ends. As a guide to the trade-unions in seeking legislation and as a means of concentrating their efforts upon points of common agreement, the Federation has declared for certain measures, not as in the nature of a "political programme," but simply and specifically as "legislative demands." These measures, as adopted at the Denver convention of 1894, are as follows:

LEGISLATIVE DEMANDS.

1. Compulsory education.
2. Direct legislation through the initiative and referendum.
3. A legal workday of not more than eight hours.[4]
4. Sanitary inspection of workshop, mine and home.
5. Liability of employers for injury to health, body and life.
6. Abolition of the contract system on all public works.
7. Abolition of the sweatshop.
8. Municipal ownership of street-cars, water works and gas and electric light plants for public distribution of light and heat.
9. Nationalization of telegraph, telephones, railroads and mines.
10. Abolition of the monopoly system of land holding and the substitution therefor of a title of occupancy and use only.
11. Repeal of all conspiracy and penal laws affecting seamen and other workmen, incorporated in the Federal laws of the United States.
12. Abolition of the monopoly privilege of issuing money and substituting therefor a system of direct issuance to and by the people.

[4] This provision is intended to cover public works only, as in the case of the National Eight-Hour Law.

The adoption of these declarations did not impose upon the affiliated bodies any obligation to depart from the purely trade-union sphere of action. Such obligation as is involved is predicated upon the indorsement of the declarations by the individual unions. This point was made quite clear by President Gompers at the Denver convention, when, in reply to a question designed to elicit an authoritative and definite expression on the subject, he said:[5]

> The American Federation of Labor is a voluntary organization; the resolutions or platforms adopted by it at its convention are expressive of the consensus of opinion of the majority of the organized workers affiliated with it. The resolutions and platforms adopted by it cannot be *imposed* upon any affiliated organization against its wishes, but they are presumed to be observed by all organizations.

The position of the Federation in respect to the question of political action is further exemplified by that feature of its constitution which bears thereon, which reads as follows:[6]

> Party politics, whether they be Democratic, Republican, Socialistic, Populistic, Prohibition, or any other, shall have no place in the conventions of the American Federation of Labor.

Upon all questions of policy affecting the American labor movement the example of the British trade-unionists is an important consideration. Especially is this true with regard to the question of political policy, since it is to that example that the exponent of political action on the part of the American trade-unions most frequently refers in justification of his views. It is, therefore, of interest to note the current tendency in this connection of the trade-unionists of Great Britain. An American publicist, writing from London, under recent date, says:[7]

> No statistics are in existence giving the exact strength of the labor movement here. If London were as well organized as is Chicago, its trade societies would contain a membership of 750,000; at best I can count only 135,000. The London Trades Council has a membership of 57,601, with an income of $3,357, of which $280 was last year spent for the aid of labor candidates, and about $1,000 for officers' salaries. But London is divided into two cities and twenty-seven boroughs, and some of these have trade councils of their own. Active political centers of influence are these trade councils, and it sometimes seemed to me that the political side of the labor movement had greater attractions for the members than did the matter of hours of labor and wages.

[5] Official proceedings, A. F. of L. Convention, Denver, 1894.
[6] Constitution of the American Federation of Labor, Art. III, Sec. 8.
[7] Judson Grenell, London, June 4, 1904.

Every prominent labor man has his eye upon Parliament. He desires an official position in his union, for it is the natural stepping-stone to becoming a Councilman or an Alderman for a borough, from whence he naturally steps into an official position in the County Council. Then he is ready to stand for some Parliamentary district, which needs not be the one in which he resides. He is free to select any constituency, and as strong men are sought after, a man who has made a good record in subordinate political positions is sought after in close districts, in the hope that the weight of his popularity may help to overcome the opposition.

These observations suggest that the poor state of industrial organization among the London workers is either the effect of the condition under which office in a trade-union is regarded as the "natural stepping-stone" to political office, or that the comparative lack of interest among the workers in the matter of hours of labor and wages is the cause of personal political activity among the workers' representatives. The situation prevailing among the London workers, as here described, is typical of that existing among American workers in all similar circumstances. Throughout the United States the growth and effectiveness of the trade-union is generally in inverse ratio to its political activity, or to the political activity of those intrusted with the administration of its affairs.

To quote further from the same source:[8]

It has often been asked: What will workingmen do if they ever obtain full political power? Battersea, a city of 171,000 inhabitants, a borough of London, and the home of John Burns, from which he is regularly returned to Parliament, answers this question in part. Here the organized labor element "runs things," electing two-thirds of the administrative and legislative officials and using their power to the fullest extent possible for those objects for which trade-unions and governments are supposed to exist.

The platform upon which, presumably, the political efforts of the organized workers of Battersea are centered stands for these objects: Public baths, public wash houses, workingmen's homes, sterilized milk for infants, public gymnasium and billiard rooms, electric lighting for public and private use, workshops for making building and road material, public lavatories, public libraries, workshop inspection, waterworks to supply the public baths, labor bureau.

These are not trade-union objects, but social objects. They are objects for the attainment of which "governments are supposed

[8] Judson Grenell, Battersea (London), June 1, 1904.

to exist;" but they are not objects which can properly occupy the chief attention of a trade-union. With the exception of the demands for "workshops for making building and road materials," "workshop inspection," and "labor bureau," the platform in question contains nothing of interest especially and peculiarly to the workers, as such: certainly, it contains nothing of immediate personal interest to the workers of any particular craft. It is a platform in which the public at large is, or ought to be, interested, and for the attainment of which the public should organize. To say that the organized labor element "runs things"—having in mind the things here noted—is to suggest that it is neglecting the things which it ought to run, that it is letting these things run themselves or leaving them to be run by other elements.

In judging the work of organized labor it is not sufficient that that work is in line with those objects for which governments are supposed to exist, or with those objects concerning which most men are agreed in theory. The prime test of organized labor consists, not in the record of its public activities, not in the record of what it has forced from the government in the way of legislation, but in the record of what it has forced from the employer in the way of higher wages, shorter hours and improved working conditions generally—in short, in the record of that which only a trade-union can do, of that which no government can do, of that which even the best government ought not to attempt to do. It is by this test that the student must judge the causes of the strength or weakness of trade-union sentiment among the workers in any craft or locality, as it is by this test that the workers themselves judge the trade-union and decide whether or not it is of use to them.

An organization of workers may accomplish much good in social and political ways, yet may be a trade-union in name only—may, indeed, be a complete failure in all the essential requirements of trade-unionism. There is no necessary connection between social legislation and industrial reform. Indeed, to judge by the more conspicuous instances of governmental concern for the welfare of the working class it would appear that a low wage rate and a long workday are natural concomitants of these forms of paternalism. Whether it be attributable to coincidence or to cause, a fact of common observation is that in many localities in which ultra-progressive methods of govern-

ment prevail there also prevails a low standard of industrial conditions. The advocate of political action by the American trade-union cites the example of those organizations in Europe which by their activity in political affairs have compelled the enactment of much "reform" legislation, meanwhile ignoring the more important point that in their devotion to these measures the organizations in question have abandoned all concern for the immediate and primary conditions of labor. To this the opponents of political action reply by citing the record of the American trade-union in the matter of increasing wages, reducing the length of the workday and numerous other improvements in the conditions under which labor is performed—improvements unknown to the European worker or known to him only in his dreams of political regeneration—and which make more immediately and more fundamentally toward the comfort and independence of the individual worker than any political or legislative measure can possibly do. In principle there is little or no difference between the public and the private measure of social or domestic reform; the principle in each case is essentially eleemosynary; the ultimate effect to be anticipated in each case is the same. The workers who regard with suspicion the philanthropy of the individual employer may, and in fact do, regard with equal distrust the philanthropy of the government, inspired, as both systems are, by the same mistaken conception of the workers' real needs and by the same disposition to overlook the causes of poverty and degradation, and having the same significance in the sum of things. The fact that these measures of public philanthropy are secured through the agency of the workers' organizations does not alter their character, does not make them more palatable nor redeem them in any degree from the error upon which they are based. That fact merely commits the labor organization to responsibility for the false conception of the principles of industrial reform, and to that extent weakens the labor organization in the esteem of those who should, and who in the end must, depend upon it for any real and permanent redress.

The Battersea platform declares for certain social or public reforms as the primary and essential objects of the body supporting it; whereas, the platform of the American Federation of Labor, in declaring for similar objects, also declares that these are secondary and incidental to the real business of trade-unionism. This differ-

ence of conception regarding the fundamental purpose of the platform leads the Battersea trade-unionists into politics and keeps the American trade-unionists within the sphere of trade-unionism. The immediate result of this difference is seen in the difference between the political club and the trade-union; its final result is seen in the difference between the poorly organized condition of the workers in London and the well organized condition of the workers in the average American city.

It is apparent that the comparative lack of trade-union interest among the London workers is the effect of undue political activity on the part of those already organized or their representatives. The statement that every prominent labor man in London regards official position in his union as the "natural stepping-stone" to political office contains in itself ample explanation of a lack of interest in trade-unionism. The trade-union official who seeks political office is the bane of the labor movement. The trade-union which adopts the policy of political action makes political ambition inevitable on the part of its officials. Devotion to the proper business of trade-unionism on the part of its representatives is essential to the success of a trade-union, as it is essential to the respect and confidence of its members and their fellow-craftsmen. It follows, of course, that the trade-union which would secure and retain the services of efficient and devoted men must guard against imposing upon its officers any duties or obligations of a political nature.

There can be no intermediate form of organization between the trade-union and the political club. No form of organization can combine trade-unionism and politics. The trade-union can not "go into politics" and remain a trade-union; if it would remain a trade-union it must keep out of politics; if it takes political action it must become to all intents and purposes a political body. The trade-union, by strict adherence to its proper functions, may raise wages, shorten the workday and effect numerous other improvements in the conditions of labor; but, in the view of those who insist upon political action, these results are, after all, merely "palliatives," unworthy the dignity and deserts of the sovereign masses, and not to be compared with the beneficent and wholesale reforms obtainable by the simple process of organizing for one great "strike at the ballot-box"! Even admitting the power of the government to accomplish these ends,

the condition precedent to the exercise of that power, namely, practical unanimity among the workers upon questions of political principle and policy, is an impossibility, a fact of which the advocates of political action are themselves a sufficient proof, since dissension and division are notoriously the common features of their political activities. The only point upon which there is any unanimity among the men who hold these views is that of hostility, overt or covert, to trade-unionism. The adoption of political action by the trade-unions by removing the only ground of common agreement among their critics, within the labor movement, would inevitably result in splitting the latter into as many parties or factions as there are men in that movement ambitious of leadership and capable of commanding a following.

The proponents of political action hold that labor's wrongs arise from a two-fold source, industrial and political; that the organization of labor, to be fully effective, must use the political weapon of the ballot as well as, and in preference to, the economic weapon of the strike; that the effort to reform the conditions of labor by economic methods exclusively is a failure, and that the trade-union, being already well established in the field of economic effort, should enter the political field.

The opponents of political action take the ground that political matters can be dealt with only by political organizations; that labor organizations, to be effective at all, must confine themselves to labor matters; that the purely economic policy of the trade-unions, so far from being a failure, is a success the proofs of which are visible in every step of the workers' progress, and that the trade-union which enters the political field simply sacrifices whatever immediate good it may be capable of, without accomplishing anything of promise for the future.

The records of the labor movement contain numerous instances of failure and destruction directly traceable to intervention in political affairs, while they contain no instance of real and permanent advantage due to that cause. This record, while generally admitted by those who favor political action, is variously ascribed to party blunder and individual dishonesty, causes which, it would seem, are very largely inherent in the nature of the subject. At any rate, the facts go to prove that the mere talk of organizing the workers so that

they shall "vote as one man" is dangerous to the trade-union which indulges in it. Wherever talk of that kind has reached the point of realization it has resulted in undermining the spirt of unity, upon which, more than upon mere numbers, the trade-union must depend in those tests of physical endurance and personal loyalty to which it must inevitably be subjected.

There can be no gainsaying the wisdom of the policy adopted and adhered to by the American Federation of Labor and other successful labor organizations, namely, the exclusion from the affairs of trade-unionism of all matters upon which men are more inclined to divide than to unite. The trade-union grows out of the trade interest; so long as it is controlled by that interest it is a body whose elements are cohesive and whose power is concentrated. The trade-union controlled otherwise than by the immediate interests of its members is a mass of incongruous elements, without power, precision or permanency. The trade-union which is organized upon the basis of common agreement among the workers concerning the conditions of labor in a given industry, and which adheres to that basis, is capable of improving these conditions to an extent proportioned mainly to its own numbers, intelligence and devotedness. In the end it is improvement of this kind that tells in the progress of labor generally. The prime usefulness of the trade-union consists not in the power to elect public officials or to secure legislation, but in the power to improve the immediate and personal conditions under which labor is performed, to increase wages, to reduce hours, to make "shop rules," to maintain a measure of equality in the terms of contract between employer and employee, to interpose an alleviating influence between master and man, and generally to do those things which only a trade-union can do, which the trade-union must do if they are to be done at all.

The fundamental error upon which political action is based consists in crediting government with the power to solve the problems that now affect the relations between employer and employee. So long as the people exercise the controlling influence in government, the wisdom of the latter can not rise above that of the people themselves, nor can its powers exceed those delegated to it by the people. Upon the theory that lies at the root of a government of limited powers, to wit, that in the people resides the source of all authority,

it is obvious that no government can be wise enough or strong enough to do for its constituents that which the latter are not wise enough or strong enough to do for themselves. To question these principles is to question the power—nay, the right—of the people to govern themselves. The theory of governmental control in the industrial relations of the people, while logical enough in its origin—that is, in European conceptions of government—is directly opposed to the genius of American institutions. Precisely as the American citizen leads in the political conception of government, as an agency restricted to the performance of certain more or less clearly defined functions of a public nature so the American worker leads in the industrial conception of trade-unionism, as an agency which, both of right and of necessity, must discharge the functions appertaining to the industrial phase of society.

The psychological basis of the sentiment for political action is to be found in that intellectual despair to which all men are momentarily subject in their treatment of problems which press for solution but which defy all known formulas. Where instinct commands and reason fails the disposition to appeal to extrinsic sources of aid becomes strong. The attitude of the American trade-unionist is that of appeal to the spirit of independence and to a realization of the truth that the workers are themselves the sole repository of power to better their lot.

The solemn lesson of history, to-day and every day of our lives, is that the workers must depend upon themselves for the improvement of the conditions of labor. Their power inheres in labor, not in the ballot; it is the power to produce, and, in the last analysis, the power to stop production. To conserve and concentrate that power is the first and last duty of trade-unionism. The forces that dominate society are physical, not intellectual. The labor problem cannot be solved by rule and formula; it can only be solved through constant labor and more or less continual suffering. You can not solve the labor problem by the ballot, nor by the bullet. As well might you try to appease hunger by the intellectual process of reading a menu or by the physical process of destroying the palate!

W. MACARTHUR.

San Francisco, Cal.

COMPULSORY STATE INSURANCE OF WORKINGMEN

The merits of a teleological institution, such as a system of compulsory State insurance of labor undoubtedly is, must be judged by the degree of its success in accomplishing the results aimed at. A certain agreement as to the final aim is therefore necessary for an intelligent and fruitful discussion of the subject. The purpose of labor insurance is a very definite one. It is not expected to solve the "social problem in its entirety," insofar as this problem embraces the whole question of equitable distribution of wealth and a harmonious development of society towards higher forms of organization. Labor insurance, or rather, insurance of workingmen, is in many respects no different from all the other forms of insurance—it is an effort to substitute a social guarantee against the results of emergencies and accidents for the purely personal responsibility which is still the rule in many countries.

Now, for that very reason, any system of labor insurance is violently objected to by many. If one prefers individual responsibility to a social guarantee, whatever his argument, he will necessarily object most strenuously to a system of compulsory State insurance, for the more complete and efficient the system, the more objectionable will it seem to him. The limits of this paper do not permit an exhaustive discussion of the comparative merits of labor insurance and saving, which is the only alternative of provision against the emergencies of the future. It may briefly be indicated, however, that in no other branch of insurance has the alternative of saving ever been seriously insisted upon. Think what this principle would lead to in the domain of fire, marine or any other form of insurance. The modern business man prefers to insure himself against the effects of a possible burglary, or even against the fluctuation of the markets. This has always been pointed out as evidence of the greatest and most commendable prudence. The increase of frequency of conflagrations or burglaries or shipwrecks, even if it could be easily proven to be the result of them, could never be seriously used as an argument against the various forms of insurance.

Yet it cannot be denied that the workingman is much more liable to meet with adversity than the comfortable home of a well-to-do man is to go up in smoke and flame. Sickness, death, accident, sudden unemployment—all these stare into the face of each and every workingman. Old age, with accompanying incapacity to work, is the inevitable fate of him whose only means of existence is his labor power, and then only if wanted by the employer of labor. To claim that any considerable degree of saving is possible for the mass of the wage workers is to claim that the average wage of an American worker is much too high for the satisfaction of his legitimate immediate wants—an optimistic view of which the most partisan crier for prosperity is but seldom guilty. And even if such saving were possible, where is the guarantee against all these emergencies (sickness, death, accidental injury), if they occur before the necessary savings have been accumulated? It may be well to prepare oneself for the "rainy day," but will the "rainy day" delay its coming until one is prepared?

The claim has recently been made by a trained economist and sociologist,[1] that saving (*i. e.*, a purely individual guarantee) is a much higher, more efficient and commendable method of gaining the security against possible emergencies, than insurance (*i. e.*, a social guarantee), and that only that form of insurance is commendable which is a modified form of saving. This view is not infrequently met with among American economists, notwithstanding the vast experience of Europe, which all points in the direction of insurance rather than savings. When this European experience is pointed out, the answer is invariably given that, no matter how successful in European countries, with their strongly bureaucratic administrations, State labor insurance is utterly at variance with the individualistic ideals of the American people. Things which are un-American to-day are very apt to become very much American to-morrow, however, as the social history of this country for the last fifty years teaches us, and the extreme individualism of the American people (a purely historic growth which has acquired in the eyes of some the appearance of almost generic immutability) has had its foundation very much weakened of late by the continuous attacks of perceptible social forces. If European experiences and figures can be best used

[1] Prof. J. H. Hamilton: "Savings and Saving Institutions."

to impress the general feasibility, practicability and usefulness of State insurance, American experiences and statistics are perfectly sufficient to break down the defense of inadaptability to local conditions and our national psychology. In the magnificent building for Social Economics at the Louisiana Purchase Exposition may be found a small booth of a purely American insurance company which makes a specialty of insurance of laborers, and only one branch of that—the least important one—insurance against death. The booth is decorated with statistical figures which bear directly upon the problem under discussion. The 13,448,000 industrial insurance policies which are in force at the present time in the United States(as against 6,667,000 savings-bank accounts, only a smaller part of which probably belong to the wage-earning class of the country) bear strong evidence that the American wage worker, no less than his European brother, adheres to the principle of insurance and prefers a social guarantee to purely personal responsibility and "self-help."

This bit of social statistics may be used against the plan of well regulated State insurance. It may be claimed, and in fact it has been often claimed, that insofar as there is a demand for labor insurance, it has been or may be supplied by private initiative, and that introduction of the State into this undertaking would be an unnecessary and harmful extension of governmental activity in competition with private enterprise. It devolves upon us, therefore, to determine whether State or private insurance is the better, the more efficient, the more useful plan.

Judged simply by numerical results, the advantages of State insurance can hardly be overestimated. A comparison of German insurance statistics with the meager data obtainable in this country leaves an impression which is hardly in favor of this country. According to the latest data[2] "the following number of working persons have enjoyed the benefits of: 1. Sick insurance—3,617,022 sick persons (with 66,652,488 sick days) with 163,400,000 marks indemnity (sickness, death-money, as well as cost of medical attendance); 2. Accident insurance—585,596 wounded, 12,128 married women, 26,612 children, 256 parents (as dependent upon the wounded being cared for in hospitals), 53,481 widows, 87,035 children, 3,147 parents

[2] Official catalogue of the exhibition of the German Empire at the International Exposition, St. Louis, 1904. P. 342. The English of the original is faithfully followed.

(of deceased)—total, 768,255 persons, with 100,000,000 marks indemnity; 3. Invalid insurance—549,000 invalid pensions amounting to 66,300,000 marks, 203,000 old age pensions amounting to 24,700,000 marks; total number of pensions, 752,000, amounting to 91,000,000 marks; 191,000 persons with 6,900,000 refunded; 33,000 persons in medical treatment with 7,100,000 marks, total, 976,000 persons with 105,000,000 marks indemnity."

"From the above statement it will be seen that in one year over five million persons in need of help received about 370,000,000 marks." "Help" is rather an unfortunate word, smacking of charity. Over five million people received a social indemnity for individual accidents and mishaps. What has the United States to show as against this tremendous record?

There are no figures. As was recently shown by the writer elsewhere,[3] instead of sickness insurance we have medical charity with all its harmful results, instead of accident insurance a series of common law doctrines which make the employer's responsibility for injury almost a myth, and instead of life and death insurance "the tremendous system of exploitation of the poorest and neediest which goes by the name of industrial insurance."

"We have in the United States labor insurance by unions, which are financially weak and in which all the burden falls upon the workers themselves. We have insurance by small private companies whose object is gain, whose financial standing is doubtful, and whose methods are often dishonest because of lack of control. And, finally, we have insurance by employers, which, applying only to a few employees, is probably accounted for in the difference of wages."

Experience, therefore, corroborates the conclusions of *a priori* reasoning that nothing short of compulsory insurance can make the benefits of insurance universal. A study of European statistics will clearly indicate this deduction—that the less compulsory a system of insurance is, the fewer people partake of its benefits.

Here we have the most powerful argument in favor of a system of compulsory State insurance. The advantages of universal insurance are not only quantitative, in that it bestows the benefits of insurance upon everybody instead of the selected few, but also qualitative, as we shall presently see. Here again a few "first principles"

[3] Journal of Political Economy, June, 1904. P. 379.

must be enunciated. The writer takes the standpoint that it is the condition of employees, and not of American employers, that calls for corrective measures. That, he imagines, is pretty well agreed upon by the modern, progressive American economist. It seems clear, therefore, that the burden of labor insurance must not lie too heavily upon the wage workers of the country. "The escape from future suffering must not, if possible, be provided at the expense of a perceptible reduction of present happiness, of which the average workingman's stock is by no means any too large." An efficient system of labor insurance must not be a burden to the workingman, and from the standpoint of the latter that system will be most efficient, the weight of which will be felt least by him. Socially, the expenses of labor insurance can in no way be considered an element of cost while it represents a legitimate claim upon the value of the product, just as fire or marine insurance does. And if this claim cause a disturbance in the existing process of "normal distribution," it is certainly desirable that this new claim should not be shifted upon the portion the workingman had received. In other words, the "cost" of labor insurance should fall upon the employer. Of course each system of State labor insurance endeavors to meet this just demand by enforcing contributions from the employers. Yet, even if the employer be forced to pay all the expenses of labor insurance (which no system of labor insurance at present requires), will the burden be shifted upon the workingman and react upon his wages if the system should embrace only a portion of the wage earners instead of the whole class; for where the advantages of labor insurance are granted only to a limited group, a certain mobility of labor will act as a ready corrective in adjusting wages.[4] And universal insurance can only mean compulsory insurance—that is, compulsory by the State. For a system of insurance may come under the definition of "State insurance," as, for instance, the case with the German Krankenversicherung, the actual work of which is done by co-operative organization under voluntary control. State insurance need not necessarily mean that the actual work of detail be done by bureaucratic organization. The compulsion, regulation and control are the necessary factors.

To quote again from a previous study, "Proceeding from the

[4] For a fuller discussion of what the writer has called "the incidence of labor insurance" see the article quoted in the Journal of Political Economy.

assumption that the incidence upon profits is the more desirable one, we see that such incidence is less open to question where the employer pays the premium rather than the employee." The necessity for such contribution is hardly questioned by this time in Germany. In America the fear of such contributions is the prime force of the opposition to any system of labor insurance. Yet, if labor insurance be intended to do away with degrading medical charity, with tedious damage suits, and with poor- and workhouses, the justice of such contributions from the industry and assistance from the State will appear as self-evident and legitimate as is at present the appropriation for charities and corrections. Any equitable distribution of the expenses of insurance, based either upon the paying ability or the responsibility for diseases, accidents, invalidity and fatalities, must include the employer. This can be accomplished only through some system of State insurance.

Moreover, if some system of universal labor insurance be acknowledged necessary, it can easily be shown that State insurance is the cheapest and most economical system in comparison with the results accomplished. Not only can a system of collection of contributions be best organized and cheapest, but a great many other economies may be introduced. Private insurance is a business, and as well as any other business exists for profit. But any justification for profit is here utterly lacking. The business of insurance is not a productive business; it is simply a process of distribution. The highest business genius, the best management cannot add any increment of value, no matter what theory of value we advocate. As a machine for the transformation of heat into active energy is judged by the percentage of loss of energy, so an insurance organization must be judged by the relation of its business expenses and profits to the sum total of money received. The only virtue, the only social service private insurance business can lay claim to is the process of "soliciting business," of spreading the advantages over larger and larger areas; but that can be done at one stroke by a legislative enactment. As a basis of comparison between the expenses of State and private insurance we have our American system of "industrial insurance" as against the German system. Now, it is a well-known fact that the very process of collection, the moving of premiums from the pockets of the insured into the general treasury consumes from 20 to 25 per

cent. of the premiums.[5] This does not take into consideration the enormous expenses of the vast administrative machinery, central as well as local, salaries, rent, etc. With the high commission the agents are a set of miserably underpaid fellows, for a needlessly large force of agents is kept, in order to stimulate them towards writing "new business," on which the commission is very high. The work of collection scarcely demands more than two days' work through the week, so that the rest of the time may be devoted to soliciting. In other words, it is not a fair claim that the nature of the business and the character of the insured necessitate this high expense; it is not the material that causes so much friction, but the very organization of the machine, constructed with the view of increasing the business. The intelligent business or professional man, who gets the insurance policy under the very best conditions, to whom insurance is often a most profitable investment, has no conception of the peculiar conditions of an industrial insurance policy.

Our case for compulsory State insurance may be summed up in the following few statements:

1. The economic condition of the wage earner is such as to provide no guarantee against poverty and destitution in case of injury, sickness, or loss of work.

2. Individual saving cannot be relied upon to correct this evil, and some sort of insurance becomes necessary.

3. Unless insurance be universal it will react heavily upon the finances of the workingman.

4. To be universal the system of insurance must be enforced and controlled by the State; that is, it must be a system of compulsory State insurance.

5. A well regulated system of State insurance must be more economical and efficient than private insurance systems.

As against these advantages many arguments are brought against State insurance of labor, both from theoretical considerations as well as from the practical study of the insurance results. It will be worth while to examine these arguments.

It may be said that (1) labor insurance represents an unwarranted

[5] The collecting agent usually receives 15 per cent., or even 20 per cent. The ability of investing the funds is here not taken into consideration, for it is of importance only in the "ordinary" branch of insurance, which approaches saving and is not available to the wage worker.

interference of the State with private industry, with the relations of capital and labor; (2) that it is an effort to abrogate the personal liberty of the employer and employee; (3) that its object is to create an unfair competition to the business of private insurance; and (4) that it is tantamount to a process of confiscation from the employer to the employee, and is, therefore, an obnoxious piece of class legislation. It is this line of argument that is made use of in the effort to show how perfectly un-American a system of "compulsory State insurance" would be.

Our views of the legitimate functions of government are undergoing very rapid changes just now. Beginning with the protective tariff and leading up to the "Oleomargarine law" and the efforts to pass the Merchant Marine Subsidy Act, the American State has often influenced conditions of private business. A system of well regulated sickness and accident insurance is no more an infringement upon personal liberty than an efficient employers' liability act would be; in fact, it is but a modified system of employers' liability, more efficient and less troublesome. And if it create a competition to private insurance, this competition would be an excellent test to determine how far this business of insurance is economically legitimate; *i. e.*, how far its profits are economically defensible, for a system of State insurance would not *eo ipso* destroy the private business. The economist has heard quite enough of this argument, we imagine, in connection with the projects of parcels post, postal savings banks, and the government ownership of telegraphs. And as to the personal liberty of the employee, we might place against it the interests and rights of the helpless wife and children, who are often left without the slightest provision for the immediate future. In short, we still have to hear of an argument which would represent anything more than the natural inertia against any departure from the old, complacent practice of non-interference.

An exception must surely be made in favor of the argument of excessive cost to the employers. Here we have a real social force whose opposition to an important social measure is at least well defined and easily understood.

In an extensive criticism of the German labor insurance law an American writer emphasizes this point:[6] "The general effect of the

[6] Henry W. Farnam, "The Psychology of German Workingmen's Insurance," Yale Review, May, 1904.

insurance law has been to permanently turn a certain stream of income from the pockets of the taxpayers and employers into the pockets of the wage receivers." The force of this statement as an argument against labor insurance will not appear self-evident to everybody, however. For it has truly been said[7] that if compulsory labor insurance influences wages in the broad sense of the word, *i. e.*, influences the true returns to the laborers for his work—it is no different from the legislative regulation of the hours of labor, of sweating, child labor, etc. If the point be that wages have been influenced in the undesirable direction, it has to be shown that the wages in Germany are too high and the profits too low; that Germany is losing its hold on the international market. Whoever makes an effort to prove all that will have quite a difficult task on his hands. If the economic effects of labor insurance be such as this criticism indicates, one of the most serious economic objections to the system is thus removed; viz: that the cost of insurance, being an element in the cost of production, will be reflected in the price of the goods and thus the workingmen, as consumers, will return what gain they obtained as producers.

The author quoted, however, finds in the working system a series of highly harmful psychological effects. "Compulsory insurance has not filled the working classes with gratitude toward the government, since it was avowedly a measure aimed at the Social Democratic party and, therefore, regarded with suspicion, nor has it made the workingmen friendly and conciliatory toward the employers, since the burden of insurance is borne involuntarily by the latter. On the other hand, the effect of giving them allowances and help in time of trouble has apparently been to weaken the spirit of self-help, to increase the demands upon the public purse, and to make them less wise and responsible in their expenditure."

Surely the claims of novelty cannot be made in favor of these arguments. They are interesting, nevertheless, in showing that opposition to compulsory State insurance soon reduces itself to opposition to the very principle of labor insurance, with the wise pointing at savings as the real method. Yet no effort has ever been made to show that the system of private saving could accomplish those enormous economic and social results which labor insurance

[7] Norbert Pinkus, "Workmen's Insurance in Germany," Yale Review, May, 1904.

evidently does. Opponents of labor insurance have not tired of putting forth that argument of increased carelessness, of the practice of deception for the last thirty years. It seems that by a process of natural selection this argument has survived all these years as the most weighty one, but the statistical basis of this claim will not stand the most superficial analysis. Where dozens of causes and factors have combined to increase the frequency of accidents, it is extremely hazardous to put forth the system of labor insurance as the only real factor. As well might we say that increase in ordinary life insurance is the cause of the growing number of suicides, and rail against life insurance; as well might we say that fire insurance has caused the Chicago, the Baltimore, and the East River horrors, and loudly advocate the abolition of fire insurance. Statistical evidence which is usually brought in support of this view shows nothing beside the mere fact that since the introduction of labor insurance in Germany—*i. e.*, during the last two decades—the number of accidents reported has increased. No more glaring example of the old fallacy, "*Post hoc, ergo propter hoc,*" could be committed. The claim that labor insurance has been the main cause of the growth of German industry, of German exports, and of half a dozen other important social phenomena could be equally well established. In fine, has not the frequency of accident grown in countries that have no system of labor insurance as well? Let us look at the statistics of railway accidents in this country, for instance, where one out of each eleven trainmen is injured each year, and one out of each 130 is killed. Above all things, let us be fair and consistent, and let us not deny the overworked workingman the same human right to an excusable degree of carelessness which even the men of leisure possess.

The assertion that compulsory labor insurance has not created gratitude toward the government and conciliation toward employers is to our view entirely beside the mark. Shorn of its oratorical flowers, it simply means that compulsory State insurance of labor has not sounded the death-knell to all other efforts of the wage workers toward their betterment. This, however, is not the proper function of labor insurance at all, no matter what the secret designs of a Bismarck may have been. That labor insurance might have such a result was certainly feared by the progressive German wage workers and their friends. Because of this fear the plan of labor insurance was

objected to by the German Social Democrats on one side and by advocates of trade-unionism, like L. Brentano, on the other. These fears have been shown to be unfounded. For that very reason the antagonism between the wage workers' political and economic organizations on one hand and labor insurance on the other has gradually vanished. German workingmen have long since found out, and the American workingmen may soon find out, that a legally enacted and controlled system of insurance against sickness, accident, invalidity, old age, and death, instead of competing with, actually supplements the work of their labor organizations. Schultze-Delitch's ideal of a trade-union as an organization for mutual charity has long since been thrown overboard. American as well as English unions sometimes still keep up some activity in that line, but they do it out of sheer necessity, as a workingman brought to destitution by an accident or disease may prove unsafe in his trade union-principles. It has been acknowledged by many practical employers, as well as the majority of American employees, that the trade-union is primarily a highly specialized machine for a very definite object—a machine for collective bargaining—a machine whose function it is to use all legitimate means to strike as good a bargain for its members as conditions will permit. Though as yet there is no concerted demand on the part of American-trade unionists for a system of compulsory State insurance, it can hardly be doubted that the plan would appeal to them if properly presented. It would greatly relieve the treasuries of those unions which have at present a system of sickness and accident benefits. With the transfer of the burden from the union to the State, the former would be better prepared to furnish the one kind of insurance that the unions are best able to grant—insurance against unemployment.

The various efforts to provide for some system of State insurance against unemployment have invariably failed, and this failure was in no sense accidental, but inherent in the very nature of the problem. Unemployment is rapidly becoming a more frequent cause of poverty than even sickness or accident.[8] But a free supply of means of existence to a healthy worker would be detrimental to character. Besides, it would be perfectly idle to expect modern society to contri-

[8] Prof. Farnam evidently forgets this break in the German system of insurance when he quotes statistics of poverty and charity as an evidence of the inefficiency of State insurance.

bute toward this support, when an army of unemployed is considered a necessary condition for the working out of "economic laws."

Nor could the ordinary unemployment be easily differentiated from voluntary unemployment, whether in its individual form of refusing anything less than the union wage or the social form of strikes. The basis of State insurance against unemployment must necessarily be assistance in case of absolute impossibility to obtain work for wages ever so small. The basis of trade-unionism is "No work for less than the standard wage." It is evident, therefore, that unless the State be ready to regulate *wages* it cannot conduct a system of unemployment insurance which would be satisfactory to the union worker. Assistance in case of unemployment, as out-of-work benefits as well as strike benefits, are the natural functions of the trade-union. But even outside of this consideration the relegation of all other forms of insurance to the State would in no way relieve the unions from any interest in the matter. The benefits of labor insurance will not accrue to a perfectly passive class of wage-earners. As Mr. Pinkus says: "Regulation of wages ought to, and indeed may, include besides the means of support, also the insurance premium for sickness, accident, invalidity, old age and lack of employment." The tendency to discount the value of the insurance from the wages will have to be actively contested; the honest execution of any insurance law must be actively guarded by the trade-unions. We may add that an efficient system of labor insurance will never be legally enacted—will never grow and develop without the active influence of trade-union votes. A short experience would easily convince the union worker that a well regulated system of compulsory State insurance of labor will prove of great assistance to the trade-unions in their struggle for the economic and social betterment of the American workingman.

I. M Rubinow.

Washington, D. C.

WOMAN'S PLACE IN INDUSTRY AND LABOR ORGANIZATIONS

This paper is about one-fourth of an unpublished monograph dealing in a comprehensive way with "The Effects of the Industrial Organization of Society on the Status of Woman." —[THE EDITOR.

Woman's Status in the Past.

Woman's status throughout the civilized world is different now from what it has been. This difference is not due to the special physical or mental merits suddenly discovered in her. And it is not because of her so-called increased industrial activity. From time immemorial woman has been an industrial producer. We have no accounts of the battles she has fought and won, no record of her inventions, discoveries or creation of new ideas and ideals, but nearly every parent industry calls her mother. As far as primitive history can be reconstructed, it was she who originated and fostered the peaceful arts of life. She it was who discovered the ability of labor. She, "the slave before the slave existed," laid the foundation of civilization, but, as regards her present industrial contributions, she compares most unfavorably with woman of old. In savage or barbarian society as food-bringer, weaver, skin-dresser, potter and burden-bearer, she was the acknowledged economic factor. In the words of a Chippawayan chief, "Women are made to labor, one of them can carry or haul as much as two men can do. They also pitch our tents, make and mend our clothing * * * and in fact, there is no such thing as traveling any considerable distance in this country without their assistance." [1]

In Greece and Rome woman's function as slave or supervisor of slaves was generally recognized. This is true all through the Mediæval Ages. "Her duties were so manifold that a conscientious housewife had to be at her post from early in the morning till late at night to fulfill them, and even then it was only possible to do so with the help of her daughters. * * * She had to spin, weave and bleach, to make all the linen and clothes, to boil soap and make candles and brew beer. In addition to these occupations she fre-

[1] Spencer: "Principles of Sociology," vol. ii, p. 727.

quently had to work in the fields and the garden and to attend to the poultry and cattle. In short, she was a veritable Cinderella, and her solitary recreation was going to church on Sunday."[2]

While woman's labor was thus very much in demand hitherto, at present, when organized industry displaces domestic work, men would only be too glad to do away with her industrial activity altogether. They claim the ability to produce all the necessaries of life conducive even to a higher standard of living than is possible at a time when women competitors crowd the factories, shops, offices, schools, and so forth.

Woman's present status is not due to her increased physical, mental or industrial importance as compared with that of man. Is it due to his increased chivalry, charity, generosity, liberality or effeminacy? Perhaps. But the majority of men, whom we cannot by any means deny to be possessed of most of those attributes, are sincerely and intensely hostile to the so-called woman's movement. They do all they possibly can to check and hinder her advance. They give also very plausible reasons why woman should not go beyond her "sphere" determined by natural instincts, traditional and universal custom, etc. And yet, whether or not men's claims and protests are fair, just and expedient, the fact is that they are being respectfully ignored.

Within the last century woman has almost revolutionized society as far as it concerns herself individually. As late as 1789 the situation of woman in France reaffirmed the triumph of the traditional idea of her inferiority and the necessary subordination. Rich or poor, women were equally removed from all public life, equally deprived of all the means to cultivate their intelligence. Those who had to earn their livelihood found it impossible because of their ignorance. In England, the publication of the "Vindication of the Rights of Woman" (1792) brought upon the author "torrents of the vilest abuse." She was "denounced as a social outcast." "A philosophizing serpent," Horace Walpole politely called her. In the United States "up to 1848 the condition of married women under the law was nearly as degraded as that of the slave on the plantation!"[3] To-day, the industrial, educational, professional, social, legal, every

[2] Bebel: "Woman in the Past, Present and Future," p. 40.
[3] Chauvin, Jeanne: "Les Professions Acessibles aux Femmes," p. 188.

one except the political, status of woman in those countries, is surprisingly high.

This great and rapid change cannot of course be accounted for by any single reason. Ages of human experience in theory and practice were necessary to enable both men and women not only to develop, but also to accept, the new condition. As in all other movements in human history the various influences and causes leading to a great social upheaval combine ultimately into one great force or principle which becomes the moving spirit in transforming an entire social system, so in the woman's movement the same law prevailed. Woman has early learned "to labor and to wait." But when the time had come for the recognition of the "feminine element" in the progress of civilization, women without concert of action, unknown to each other in every civilized country began, directly or indirectly, to demand a broader sphere, direct representation in society and the State. Lady Montague, Abigail Smith Adams, Mary Wolstoncraft, Harriet Martineau, Mme. Stael, Mme. Rolland, George Sand, Mme. D'Herricourt, Margaret Fuller, Elizabeth C. Stanton and others, in as many different ways, demanded the same thing. Aware of the necessity and the rightfulness of this demand woman has taken her "cause" in her own hands. And, whether or not men approve of it, whether or not her personal happiness is thereby increased, woman is bound to demand her "rights" and public opinion must sanction it. The condition in the modern organization of society makes it unavoidable.

Conditions Favoring a Rise in Woman's Status.

The argument for a woman's "sphere" may continue to be advocated by a certain type of men and women, too, but the question itself becomes less important as society conceives its *raison d'etre* to be neither military nor religious nor any other purpose but the well-being of its constituent, individual members. In a democratic society of this kind, where individuals have their choice in selecting vocations and the power to determine social values, they will naturally demand and receive their desired place in society. We see this idea realizing itself in the growing demands and gains of men since they became independent individuals, instead of being the property of or belonging to a state, an individual or a group of individuals. As

long as men fought or worked for a chief, a king, an emperor, a lord on earth or served professionally a King in Heaven, they also stood in successive grades of subordination. For it was not society including themselves that determined men's position in the world. "*L'etat, c'est moi*" is the well-known motto of kings, and the same is carried out in the hierarchy of the Church. "By the grace of the Lord, the King, is a man high or low."[4] Similar was the case of woman, but, of course, in a more complex form, since she was a subject's subject as well as an object of his emotions. As long as the father or husband was the sole employer there could be no question of social remuneration. A woman worked for a private man who paid her "in kind," according to the dictates of his caprice, "finer sentiments," or reasonableness. There was practically no society or state for her apart from the man she happened to belong to. She did not work for society and, therefore, had no place in it, except as a man's property or protegé.[4] In the exceptional cases, where she was supposed to serve the State, as in Sparta and in Plato's Republic, she was given a very high position.

But as soon as woman entered the factory, she became not only a social producer, but also an independent worker; *i. e.*, her work had to be paid for at a definite rate, otherwise she could leave one employer for another. She now came into contact, moreover, with a new order of man, the strange employer who was emotionally indifferent to her, who had no claims over her, either as father, husband, or master, except as a wage-payer. He had no special reason to suppress or subject her. Individual skill had to be acknowledged. Of course he met a very humble, submissive, ignorant, non-resisting creature and he took full advantage of these "feminine virtues" in cutting down her wages to the lowest point possible. "The mass of women had neither power nor wish to protest, and thus the few traces we find of their earliest connection with labor show us that they accepted a bare subsistence as all to which they were entitled, and were grateful if they escaped the beating which the lower order of Englishmen still regards it as his right to give!"[5] The employers' cruel treatment of women and their followers, the children, the conflict between the employers and the workingmen over

[4] Johnson's Cyclopedia: p. 612.
[5] Campbell, Helen: "Women Wage-Earners," p. 52

woman's employment and the fact that women were now social producers forced society to interfere in their behalf by means of legislation.

On the other hand, since the Industrial Revolution has taken place, the State, in the progressive countries, is ever more assuming the characteristics of an industrial organization. We may call it a limited monarchy, a republic or a political democracy; but its essential, its dominant interests are industry, and its concomitants, trade and commerce on an international scale. In their external relations the leading modern States are bent upon extending their economic activities through treaty right and acquisition of territory as markets. Internally their legislatures are largely busying themselves with the adjustment or the regulation of economic interests. "The past twenty-five years have been a period of incessant activity by legislatures and courts in prescribing the duties and limiting the powers and privileges of railway and express companies, telegraph companies, industrial combinations and trusts."[6] The warrior and the clergyman are still present. But military force is a last resort, when other diplomatic means fail to secure commercial privileges; whereas, the Church, incorporated religion, is a private affair which may or may not be supported by individuals or groups of individuals. The captain of industry and the ethical teacher are gradually taking the place of the soldier and the theological teacher, respectively. Both have a place for woman's activity. One has given her a chance to become economically independent, the other, the moral motive "that makes for largeness of conscious life," the belief "that many things can be made better than they are at present and that life in many ways can be made more desirable."

The conditions in modern society favorable to a rise of woman's status are chiefly these: the opportunities for economic independence and direct service to society; the chances that man, the educator, the employer, and the legislator, may judge her rationally instead of emotionally as heretofore the father and the husband did; the decreasing importance of man as a military power, thus in a sense equalizing the social value of men and women; and the modern ethics advocating an increase of human happiness in this world rather than in some other one. Here woman is specially fit to do something.

[6] Prof. Giddings: "Democracy and Empire," p. 108.

Industrial Activity of Women.

Economic writers generally explain woman's entrance into industry as a "wonder" of the age. Machinery, necessity, starvation or its extreme opposite "love of luxury" are given as chief causes. The fact that woman is only following her old pursuits while sharing in the general expansion of industry is rarely if ever, emphasized. She is regarded as usurping man's place, whereas in reality "the spirit of the living creature in the wheels of machinery is the genius of industrialism originated and fostered by women."[7] What this industrial age has effected is not woman's entrance into industry, but the social recognition that woman is an independent, economic factor as distinguished from a domestic worker. Writes Carroll D. Wright: "It cannot be said that women and children constituted an economic factor during the colonial days. Their labor was not in demand except in a domestic sense, to any great extent."[8] "But their (women's) more extended employment as independent wage-workers dates practically from the period between 1815 to 1830. They followed the textile industries from the household into the factories and the consolidation of industry in large establishments instead of small individual shops, broadened the field and gave women opportunities of entering independently in the gainful pursuits * * * which they gladly embraced."[9] Under the new conditions, "it is evident," says John A. Hobson, "that many forces are at work which tend to equalize the productivity of men and women in industry, the evolution of machinery adapted to the weaker physique of women; the breakdown of customs excluding women from many occupations; the growth of restrictions upon male adult labor with regard to their working day, etc., correspondent with those placed upon women; improved mobility of woman's labor by cheaper and more facile transport in large cities; the recognition of a growing number of women that matrimony is not the only livelihood open to them, but that an industrial life is preferable and possible."[10]

The proof of the economic value of women's industrial productivity is undoubtedly given by the fact that their numbers in all industries are steadily increasing. If their work did not pay, em-

[7] Mason, Otis: "Woman's Share in Primitive Culture," p. 4.
[8] Wright, Carroll D.: "Industrial Evolution of the United States," p. 200.
[9] Wright: p. 202.
[10] Hobson: "Evolution of Modern Capitalism," p. 304.

ployers would certainly not admit them. In England, according to Mr. Hobson, during the half century 1841 and 1891, the number of women engaged in manufactures has increased by 221 per cent., while that of men increased by 53 per cent. "But the movement," he adds, "is by no means peculiar to the textile and dress industries which may appear specially adapted to the faculties of women. Wherever women have got a firm footing in a manufacture a similar movement is traceable; the relative rate of increase in the employment of women exceeds that of men, even where the numbers of the latter do not show an absolute decline. Such industries are, wood furniture and carriages; painting and bookbinding; paper, floorcloths, feathers, leather, glues; food, drink, smoking; earthenware, machinery, tools. Women have also obtained employment in connection with other industries which are still in the main 'male' industries, and in which no women or very few were engaged in 1841. Such are fuel, gas, chemicals; watches, instruments, toys. The only group of machine industries in which their numbers have not increased more rapidly than those of men since 1851 are the metal industries. Over some of these, however, they are obtaining an increased hold. In the more mechanical portions of the growing 'cycle' of industry, hollow-ware and in certain departments of the watch-making trade they are ousting male labor, executing with machinery the work formerly done by male hand-workers."[11]

The following table, taken from the Twelfth Census of the United States, shows the general progress of American women in all gainful occupations, since 1880, as compared with that of men:

	1900		1890		1880	
	Number	Per Cent	Number	Per Cent	Number	Per Cent
All occupations, Males	23,754,205	100	18,821,090	100	14,744,942	100
" " Females	5,319,912	100	3,914,571	100	2,647,157	100
Agricultural Pursuits, Males	9,404,429	39.6	7,887,042	41.9	7,119,365	48.3
" " Females	977,336	18.4	678,884	17.3	594,510	22.5
Professional Service, Males	828,163	3.5	632,646	3.4	425,947	2.9
" " Females	430,576	8.1	311,687	8.0	177,255	6.7
Domestic and Personal Service, Males	3,485,208	14.7	2,553,161	13.6	2,242,309	15.2
" " " " Females	2,095,449	39.4	1,667,651	42.6	1,181,506	44.6
Trade and Transportation, Males	4,263,617	17.9	3,097,701	16.4	1,803,629	12.2
" " " " Females	503,397	9.4	228,421	5.8	62,852	2.4
Manuf. and Mechan. Pursuits, Males	5,772,788	24.3	4,650,540	24.7	3,153,692	21.4
" " " " Females	1,313,204	24.7	1,027,928	26.3	631,034	23.8

[11] Hobson, p. 295.

In the least "female" occupation, "trade and transportation," the percentage for women has increased from 2.4 *vs.* 12.2 for men in 1880 to 9.4 *vs.* 17.9 for men in 1900; while the percentage in the leading female occupation, "domestic and personal service," is gradually decreasing from 44.6 in 1880 to 42.6 in 1890, to 39.4 in 1900. "All the industries in the United States, and their variety is practically unlimited, were assigned," says Mr. Wright, "to one of three hundred and sixty-nine groups at the Census of 1890. An examination of the totals of these groups discloses the fact that in only nine of them are no women and children employed. Their employment, therefore, either as clerks, operatives or apprentices, may be considered universal. The apparent number of vocations in which women cannot engage is constantly diminishing and is now relatively very small."[12] This statement may be compared with one made in 1840 by Harriet Martineau, who found "only seven employments open to women: teaching, needlework, keeping boarders, working in cotton mills, type-setting, bookbinding and domestic service."[13]

Women's Wages.

The growing appreciation of woman's work is indicated by a relative rise in wages. "The greatest percentage of gain in average wages in the cotton industries is in favor of the female employees."[14] The average weekly earnings in cotton factories of New England for women in 1831 ranged from $2.20 to $2.60, and for men, from $4.50 to $7.00. For women in 1880 it was $6.37, and for men, $9.05. In the same industry for the entire United States the average weekly wage for women in 1890 was $5.53, ranging from $3.21 to $6.42. For men in 1890 it was $7.75, ranging from $5.17 to $10.44. "In 1831 men's wage was twice as great as women's; in 1880 it was less than one-third greater. Between 1831 and 1880 men's wages had increased 38 per cent.; woman's, 149 per cent. * * * A careful examination of the actual earnings of women discloses the fact that in many industries their average earnings equal or exceed the earnings of men. This is especially true of the piece workers."[15] In general, however, it must be said that woman's wages as compared with man's is considerably lower. But this is easily explained, when we

[12] Wright, p. 209.
[13] *Ibid.*, p. 202.
[14] *Ibid.*, p. 210
[15] *Ibid.*, p. 210.

consider the fact that "she has stepped out of industrial subjection and come into the industrial system as an entirely new economic factor. If there were no other reasons this alone would be sufficient to keep her wages low and prevent their very rapid increase."[16]

Women in Labor Organizations.

Professor Mason, in his book on "Woman's Share in Primitive Culture," devotes a chapter to woman as a Jack-at-all-Trades, and remarks that in the entire course of human history the combination of abilities in one woman stands in sharp contrast with the co-operation of many individuals at one duty or activity among men. "In co-operation," he says, "women have always been weak. There are few duties that they have in common. Even as beasts of burden they seldom worked in pairs."[17] Unless we can realize what must be the effect of centuries of isolated work we can hardly explain the ill-success of women's trade-unionism, nor appreciate the progress already made by women in co-operating with one another for various other purposes. "In industry women, as a class, are just beginning to understand the power and the force which come from organization,"[18] says Mr. Wright. This is true; but woman's entrance into labor-unions took place before she became conscious of her "class."

The employers' persistence in keeping women at the trades, wherever wages could be saved, and the workingmen's conviction that they must either leave their trades or admit women to their unions was the real cause of women's first connection with unionism. There was, of course, a strong opposition. "The eighteenth century trade clubs of hatters, basketmakers or compositors would have instantly struck against any attempt to put a woman to any part of their craft." The intensity of resentment and abhorrence with which the average workingman regards the idea of woman entering his trade equals that displayed by the medical practitioner of the last generation."[19] The Lancashire weavers alone never made any sex distinctions. The various organizations of weavers have from the introduction of the power-loom included women on the same terms as men.

[16] Wright, p. 212.
[17] Mason, p. 160.
[18] Wright, p. 213.
[19] Webb, p. 496. ("Industrial Democracy.")

The typical status of woman in the "male" occupations may be illustrated by the following resolution passed by the London society of compositors, 1886: "While strongly of opinion that women are not physically capable of performing the duties of a compositor, this conference recommends their admission to membership of the various Typographical Unions upon the same conditions as journeymen, provided always the females are paid strictly in accordance with scale."[20] The standard rate practically excludes sex competition, while it does not debar a woman from a man's work, provided she wins her way "by capacity not by underbidding."

In Germany, the workingmen for a long time believed that the employment of women could be restricted. "But, in spite of all efforts of restriction, the employment of women increased constantly until five and a half millions, according to the Census of 1882, were wage-earners. * * * Then only did the workingmen realize that women workers were no longer a factor to be neglected, and that equal duties towards society gave them equal rights. At their *Parteitag* or Annual Congress held at Halle in 1890, the Social Democrats therefore passed a resolution demanding the full equality of the sexes in the State and society; and the next year at Brussels, the International Socialists' Congress adopted the same resolution unanimously. After 1892 women were permitted to choose delegates to the Annual Congress and now the members of the workingwomen's association are an integral factor of the Social Democratic Party."[21]

In the United States, the Knights of Labor and the Granger associations of the Western Farmers have been very liberal in the admission of women. The Western Farmers formulated (1870) "a principle" that no Grange should be organized or exist without women. The more conservative men, too, began about 1884 to receive women in their unions. The rapid advance here made is evident in the United Garment Workers' Union. "In its establishment (1891) women bore no part, either directly or indirectly," says Miss Hurd. "In April, 1902, the union was composed of 179 local bodies, of which 83 admitted men only, while 96 were made up either exclusively of women or of both men and women."[22] Their number of delegates at the conventions increased from 2 out of 53 in 1894 to 18 out of 56

[20] Webb, p. 500.
[21] Russell, Alys.: "Social Democracy and the Woman Question in Germany," pp. 187–8.
[22] Hurd, p. 168.

in 1900 and 23 out of 88 in 1901.[23] "An interesting phase of the changing attitude of women toward unions is revealed," says John Mitchell, "by the action of the Chicago Federation of Teachers. The teachers of Chicago, recognizing that they were wage-earners and realizing the similarity of their aims and ideals with those of the great body of trade-unionists, threw their fortunes in with their fellow-workers and became affiliated with the Chicago Federation of Labor." That woman as a factor in organized labor is considered important, the words of the most prominent labor-leader of to-day amply testifies: "The future will undoubtedly show a vast strengthening of the labor movement through the compact organization of the women employed in American industries."[24]

New York City SOPHIE YUDELSON

[23] Hurd, p. 169.
[24] Mitchell: "Organized Labor," p. 135.

COMMUNICATION

STREET RAILWAYS IN PHILADELPHIA SINCE 1900

In order to understand the recent developments in the street railway situation in Philadelphia, it will be necessary to review the peculiar conditions which existed a few years ago. The development of the city has been along unusual lines —a glance at the map will show that in a north and south direction the city is from fourteen to eighteen miles long, while in an east and west direction the city limits extend only six miles from the Delaware River.

Several causes can be assigned for this peculiar and unusual phenomenon: in the first place it has been only a comparatively short time since the Schuylkill River was spanned with bridges capable of fulfilling modern requirements; again, the poor transportation facilities existing until the introduction of electricity forced the merchants and their employees to live close to the Delaware, along which stretched the manufacturing and mercantile district. As a consequence, the growth towards the north has been unnaturally great and only during the past decade has the movement towards the west been at all rapid.

Ten years ago a change of cars was necessary to travel the six miles to Sixty-third and Market Streets, while at the same time one could ride three times as far, without a change, on a number of lines running north and south. Another fact to be noticed is that the numbered streets were very generally occupied by car tracks before 1893, while those running east and west were not so generally in use.

In 1895 the Union Traction Company had been formed for the purpose of leasing and controlling every road in the city. Scarcely had this been accomplished when the new company, confident in the security of its monopoly, abolished the free transfers, and in other ways curtailed the privileges which the public had come to look upon as inviolable. Developments established the correctness of their conclusions for the angry protests brought forth no results, and in a short time the agitation for retaliatory measures died out entirely, the people seeming to be reconciled to the new conditions.

This was the situation when, in the early part of 1901, a plan was announced in the Philadelphia *North American*, which, if carried out, would destroy the monopoly which the Union Traction Company enjoyed. The Johnson syndicate, composed of Tom L. and Albert, who had amassed a fortune and made themselves famous by their street car lines in Cleveland, proposed constructing a network of street railways over the unoccupied streets of Philadelphia, the backbone of their system being a Broad Street surface line. This was designed to be the Philadelphia connection of their extensive system known as the Lehigh Valley Traction Company. They asked, however, for few lines running east and west, because they had no suburban lines in that direction. Their application to the City Councils for the necessary franchises, in which they promised to give the

people the most liberal service was opposed in the Councils by the Union Traction Company and the other existing transportation interests in the city.

The State Legislature, however, for reasons that have not been fully explained, was quite willing to pass laws giving away electric railway franchises. In the spring of 1901 two bills were introduced into the Pennsylvania Legislature known as the Emery and Focht Bills, which were rushed through the committees, given the necessary preliminary readings, and early in June were passed. Some of their important features are as follows: Senator Focht's bill is entitled "An act to provide for the incorporation and government of passenger railways, either elevated or underground, or partly elevated or partly underground: with surface rights." On its face the bill seems to limit the corporation to elevated or underground roads. Section 14 gives the right to operate connecting lines on any turnpike or turnpikes, which in addition to the right of eminent domain contained in section 7, it is believed, will permit the road to operate a continuous line on the surface of the property acquired under this grant and on the public turnpikes. It was provided that the capital stock shall not be less than $50,000 for every mile of road to be constructed, and before articles of incorporation are filed at least $25,000 of stock for every mile of road shall have been subscribed and 10 per cent. in cash paid to the directors. Section 6 permits the corporations to borrow money not to exceed the amount of capital stock authorized, and not equal to the cash capital paid in, as was provided in other acts. This would permit the unlimited issue of bonds with practically no cash outlay in stock. The Emery Bill, which amends the general act of 1889 and all local and special laws, is the enabling act and is broad in its scope. Under its provisions no street or boulevard is excepted, provided the City Councils see fit to grant the necessary franchise. One section provides for the forfeiture of the charter if the work is not begun within two years and completed within five years. One power granted under the act permits the corporation to sell its own franchise and road and acquire others by purchase, if it sees fit. This can even be so of corporations formed under other acts, there being no limitations to the right. An amendment adopted to the act forbids any company so incorporated from connecting its tracks with the tracks of any railroad company carrying both passengers and freight, or interchange of cars with any such company. This was added at the instance of the steam railroad companies who feared that otherwise their position might be seriously weakened.

Governor Stone signed these bills at midnight on June 7. At once there followed a great rush of charters for street railroad companies to operate surface, elevated or underground lines, as the case might be, not only in Philadelphia and Pittsburgh, but also in Montgomery, Chester and Delaware Counties and many cities throughout the State. Each applicant understood that if he should be officially recognized as the first for the particular streets named in the application, he could, under the new law, exclude all others from obtaining a charter for those streets during the two years allowed for obtaining permission from the local authorities, and for seven years more, by obtaining the permission and going on with the work. Under such conditions, disputes arose as to who should receive

the coveted prizes. Accordingly, on June 19, the Legislature passed two supplementary bills: the first, known as the Scott Bill, supplements the Focht Bill and places in the hands of the Governor, Attorney-General and the Secretary of the Commonwealth the power to say what charters shall be issued. The other bill, known as the Focht Supplement for the Emery Law, authorizes the construction of rapid transit roads only on securing the consent of the local authorities.

Turning again to a consideration of conditions in Philadelphia we find, on June 12, 1901, that both branches of the City Councils of Philadelphia passed ordinances authorizing thirteen new companies, one underground, five elevated, and seven surface lines, which were given the right to operate street railways on practically all the lines available for that purpose, including Broad and Diamond Streets. The incorporators of all of them were Robert H. Foerderer, Clarence Wolf, Michael Murphy and John M. Mack. A list of the roads with the authorized capital stock follows:

The Broad Street Subway Passenger Railway Company	$1,250,000
The Broad Street Rapid Transit Street Railway Company	150,000
Passyunk Avenue Elevated Passenger Railway Company	350,000
The Chestnut Hill and Glenside Rapid Transit Street Railway Company	150,000
The Market Street Elevated Passenger Railway Company	1,500,000
The Ridge Avenue Elevated Passenger Railway Company	850,000
The Frankford Elevated Passenger Railway Company	750,000
The Germantown Avenue Elevated Passenger Railway Company	900,000
The Southern Rapid Transit Street Railway Company	90,000
The Eastern Rapid Transit Street Railway Company	540,000
The Central Rapid Transit Street Railway Company	60,000
The Western Rapid Transit Street Railway Company	360,000
The Northern Rapid Transit Street Railway Company	228,000

These lines covered over a hundred and twenty miles of street, and practically shut out forever all other companies from the streets of Philadelphia. Some of the provisions of these ordinances were: Five cent maximum fares on all lines; work to be started within two years and completed within seven; from the net earnings of the Broad Street Subway, after exceeding six per cent., the company was to pay five per cent. of the excess profits into the city treasury; the surface tracks on Broad Street were to be so constructed as to permit the erection of elevated roads; the companies were to pave and maintain all streets traversed by their tracks without cost to the city; the cars were to run on the elevated roads every five minutes between six and nine A. M., and between four thirty and seven P. M. No provision was made for running night trains. The Broad Street Subway was allowed to rent to other corporations tubes for pipes, conduits and wires, except sewer and water pipes. The underground and elevated railroads were authorized to occupy the highway as needed for stations and approaches without paying rentals.

As a protest to the Mayor against signing these ordinances, giving away

franchises of great value, Mr. John Wanamaker, on June 13, offered to pay to the city $2,500,000 for the same franchises and deposited $250,000 with the Real Estate Trust Company as security of his sincerity. The Mayor, however, signed the ordinances the same night. Nine days later Mr. John Wanamaker, renewing his offer to the city of $2,500,000 for the franchises, offered also a $500,000 bonus to Congressman Foerderer and his associates if they would convey to him the grants and corporation privileges they had secured. He also agreed to guarantee three-cent fares during certain hours of the day and to return the franchises to the city any time within ten years, provided the city pay him back the actual money invested. If his offer was not acceptable, he requested that the owners of the franchises name the sum which they would take for the privileges. However, no notice was taken of his communication.

It at once became apparent that efforts were being made to force the Union Traction Company to buy the franchises. The most powerful weapon held by those opposing the Union Traction Company was the city ordinance of 1893, granting the overhead trolley privilege which required the company to place all their wires underground whenever the Councils should so direct. If Councils should insist on this, the Union Traction Company, already staggering under immense fixed charges, would be forced into the hands of a receiver. The positive denials of the officials of the Union Traction Company of any proposed purchase of its interests by its rivals changed gradually to evasions, and by the end of 1901 finally to an admission that "while nothing definite had been done, yet cordial relations now existed between the two groups." The final outcome was not left long in doubt, for on March 3, 1902, the Board of Directors of the Union Traction Company passed resolutions recommending to the stockholders the acceptance of the offer of John M. Mack and his associates to lease the road to a new company to be incorporated to be known as the Consolidated Traction Company, which was to have a capital stock of $30,000,000, divided into $50 shares, of which $5 was to be paid in at present. The lease was to be for 999 years from July 1, 1902, on the following conditions: The new company was to guarantee $1.50 per share (3%) on the stock of the Union Traction Company for the first two years; $2 per share (4%) the third and fourth years; $2.50 per share (5%) the fifth and sixth years; and $3 (6%) the seventh and the remaining nine hundred ninety-two years of the lease; also to pay all fixed charges of the underlying companies' rentals, interest and taxes of every kind and nature.

The Consolidated Traction Company agreed to acquire all the stock of the thirteen companies which had obtained franchises in the previous June. The stockholders of the Union Traction Company were given the right to subscribe for $7,500,000 of the stock of the new company, or one share for each four shares of their Union Traction Stock holdings the remaining shares of the Consolidated, $22,500,000 to be subscribed for by Mr. Mack and his associates. A special meeting of the stockholders was called for May 5 to consider the acceptance or rejection of this proposition.

In the meantime opposition had been centering around the proposed construction of the elevated road on Market Street. Business men complained that

it would lessen the usefulness of the thoroughfare and cut off the light in their stores. The determining factor, however, was the opposition of the Pennsylvania Railroad Company, which had sometime previously secured from Councils the privilege of erecting a covered way over Market Street, between the Arcade Building and Broad Street Station. This practically had the effect of blocking the proposed elevated line. The syndicate was forced to find some new plan if they wished to make the sale to the new company. Accordingly, in April 1902, an ordinance was passed by Councils and signed by Mayor Ashbridge, granting to the Market Street Elevated Passenger Railway a franchise to build an underground railway under Market Street, from the Delaware River to the County line, or any part thereof, with the right to come upon the surface of Market Street between Twenty-second Street and the Schuylkill River. Work must be begun within one year and completed within three years thereafter. Under the franchise the company is required to lay improved grooved rails and repave with asphalt the entire street surface from the Delaware River to Fifteenth Street.

On May 1, 1902, the Philadelphia Rapid Transit Company was chartered with $10,000 capital stock. The incorporators were all clerks in the employ of John M. Mack and James P. McNichol. The capital stock was at once increased to $30,000,000 in shares of $50 each. This corporation was to take the place of the Consolidated Traction Company, whose proposition regarding a lease the stockholders of the Union Traction Company were to consider four days later. The result was the unanimous ratification of the proposition to lease the Traction Company's properties to the new corporation upon the terms already given. The stock of the new company was soon afterwards listed on the Philadelphia Stock Exchange. On July 1, 1902, the actual transfer took place.

The Rapid Transit Company started with fixed charges $900,000 a year greater than the Union Traction Company had had to meet, and this will be gradually increased as the rental advances. The new company possessed all the Mack-Foerderer franchises except the Broad Street Subway, which was not transferred until some months later. President Parsons estimated that between six and eight million dollars would be required on the Market Street Subway-Elevated System, excluding the Woodland and Lancaster Avenue elevated extension. This necessitated the assessment of the stock of the new company, and, on May 18, the directors voted to call for an additional $5 per share, thus making the shares $10 paid. With this money work was started in a desultory manner upon the subway, and numerous improvements and betterments were made to other parts of the system.

The time was drawing near when the Rapid Transit Company must either actually begin work on all their franchises or forfeit them. Since they could not afford to do this, a plan was devised of taking advantage of the provision in the charters allowing consolidation, and accordingly, the Market Street Elevated Passenger Railway Company was formed with $5,600,000 of authorized capital stock, by the consolidation and merging of the following companies: The Market Street Elevated Passenger Railway Company, the Germantown Avenue Elevated Passenger Railway Company, the Passyunk Avenue Elevated Passenger Railway

Company and the Broad Street Subway Passenger Railway Company. This action was validated by an ordinance of Councils which, while relieving the Rapid Transit Company of the obligation to begin work within the two year period originally provided, requires the completion of the several lines in a certain order within periods ranging respectively from two to ten years. It also requires the company to furnish a bond of $250,000 to cover the performance of this agreement. The actual commencement of work on the Market Street Subway, it is held by eminent counsel, satisfies the provisions of the State law and keeps alive the other franchises now held by the Market Street Elevated Passenger Railway Company.

In order to make the monopoly in Philadelphia absolutely complete and to prevent the recurrence of the conditions which brought about the formation of the Rapid Transit Company, the following new companies were incorporated in June, 1903, by representatives of the Rapid Transit Company to build 119 miles of street railway as follows: The Glenwood Rapid Transit Street Railway Company, capital stock $270,000, 45 miles of line; the Moyamensing and Southwark Rapid Transit Street Railway Company, $282,000, 47 miles of line; the Parkside Rapid Transit Company, $42,000, 7 miles of line; the Bustleton and Byberry Rapid Transit Street Railway Company, $120,000, 20 miles of line.

What did the syndicate actually realize from the franchises for which the city received practically nothing? Under the terms of the consolidation the members of the syndicate were to subscribe for $22,500,000 of the stock of the new company, paying down for the 450,000 shares, $5 each, or $2,250,000. At the time the stock was listed it was quoted at $9 per share. On this basis the profit would have been $1,800,000. After $10 had been paid in, the stock sold as high as 18 7-8 and as low as 12. Averaging this, the profit would have been somewhat greater, or $2,250,000. We see then, that Mr. Wanamaker's valuation of the franchises was above what they actually netted their owners. However, he believed the city should receive the benefit, and not the syndicate.

Taking up the actual construction so far as it has been outlined, we find that the plan calls for an elevated railroad from Sixty-third and Market Streets east to the Schuylkill River, which they cross by a new bridge. At Twenty-third Street the elevated descends into the subway, in which are to be four tracks besides cable ducts. Two of these tracks are to be for express trains, two for accommodation. At Delaware Avenue the Company has acquired a tract of ground on which large power-houses, car-barns and a station are to be erected. An elevated road is to be built south on Delaware Avenue as far as the Reading Railroad piers, thus placing them on the same footing as the Pennsylvania for the Jersey service.

At the western end of the line, beyond Sixty-third Street, the company has purchased a large tract of ground on which they propose to erect, besides the terminal, storage yards and extensive repair shops. The actual work of construction is already well under way. President Parsons announces that the Subway will be finished as far as Fifteenth Street within a year, at which time they hope

to have the elevated completed. This section will be put in operation while the work of construction is carried on on the down-town portion of the line.

The query naturally arises, what effect will this have upon the direction of the development of the city in the future? When we consider that in order to make the city square, fully twelve miles of ground west of the terminus of the new line must be developed, it seems apparent that the great future growth will be towards the west. The officials realize that, burdened as the Rapid Transit is with heavy fixed charges, *new* traffic must be developed for the new system, because if the elevated merely takes people which the surface lines formerly carried, the gross earnings will not be increased, while the capital charges will have grown much heavier. The only hope which they have of ever securing dividends on the Rapid Transit stock is to develop new trade for the elevated, at the same time discouraging the nearby riders from using it in order that the surface lines may be fully employed. The result of this will be that the Rapid Transit Company or some affiliated organization will, on the completion of the system, proceed to open up the country west of the city limit, which is, practically speaking, sparsely occupied at present. The future growth, therefore, seems certain to be in a western direction, the growth to the north and to the south being arrested, or at least checked, by the more favorable location (considering transportation facilities) which the western section will have to offer to its residents.

Although the elevated-subway system is yet far from completion the first steps have already been taken to develop the eastern portion of Delaware County, and it seems certain that several "feeders" will be in operation by the time the elevated is completed. The rate at which the growth will take place can only be surmised—it is safe to say, however, that it will surpass anything in the history of Philadelphia and will equal that which has invariably occurred on the completion of similar improvements in other cities.

THOMAS CONWAY, JR.

Lansdowne, Penna.

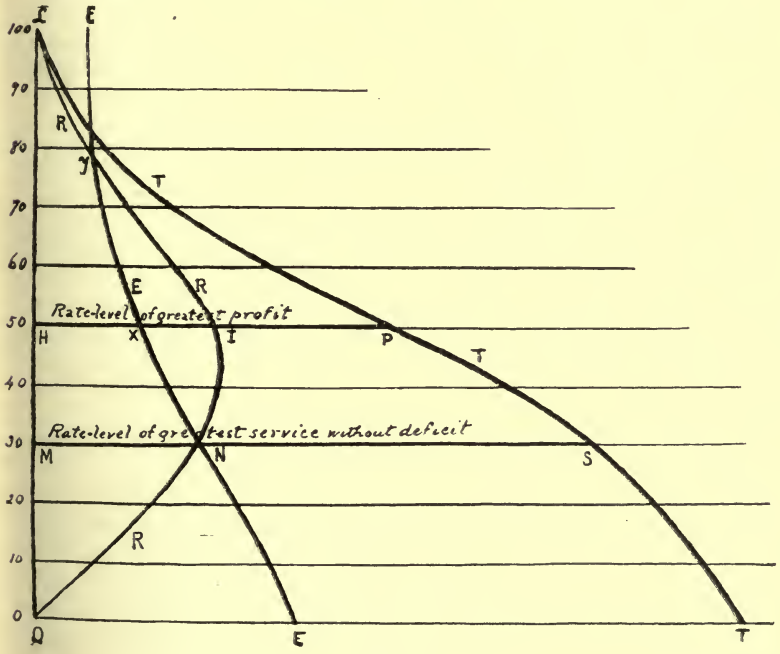
COMMUNICATION.

PUBLIC OWNERSHIP AND LOW RATES

In the same country and under similar conditions otherwise than in respect to ownership and control, public ownership tends as a rule to make lower rates than private ownership. This tendency results from the fundamental difference of aim between the two systems. Private monopoly aims at dividends for stockholders; public ownership aims at service for all. A normal public institution aims at the public good, while a normal private monopoly aims at private profit. It serves public interest also, but such service is incidental, and not the primary purpose. It serves the public interest so long as it runs along in the same direction and is linked with private profit, but when the public interest departs from or runs counter to the interests owning or controlling the system, the public interests are subordinated.

The conflict between public and private interest is specially strong in the matter of rates. The rate-level that yields the greatest profit is much higher than the rate-level that affords the greatest service, or the greatest service without deficit, and since private monopoly aims at profit it seeks the higher rate-level. Public ownership aims at service, not at profit, and therefore gravitates to the lower rate-level, where traffic and service are greater.

The diagram will make the matter very clear.



In the figure, L O is the rate line with zero rates at the bottom and at the top rates so lofty as to be prohibitive; T T T is the traffic curve expanding rapidly as the rates are lowered; E E E is the expense curve beginning with the minimum of fixed charges and operating cost which must be incurred even with the smallest traffic and expanding with the traffic, though not in the same ratio. A considerable traffic can be handled at a slight advance upon the minimum cost (the fixed charges being nearly the same with 60 passengers per car as with 1, while the operating cost is only slightly increased), and for the later ranges of the traffic curve the expense account expands at so much less a rate than the traffic that an enlargement of 100 per cent. in the traffic frequently increases expenses only 30 to 50 per cent., and sometimes scarcely at all, as when Hungary adopted the zone system in 1889. R R R is the curve of receipts, which is a function of the rate and the traffic, and can be easily platted from them; Y R N, the part of the curve of receipts that extends beyond the expense line, represents profits. H I is the rate-level that yields the greatest profit, and M N is the rate-level that yields the greatest traffic without incurring a deficit. It is the level at which the line of receipts crosses the expense line, so that there is neither profit nor deficit, but service at cost. M N, the line of greatest traffic without deficit, is always a considerable distance below H I, the line of greatest profit. As you go down the rate line from H the traffic increases and the profit diminishes, until you come to a point where the rates are so low that profit vanishes, and there you have the rate-level of greatest traffic without deficit.

Now, private monopoly aiming at profit tends to establish rates at the level H I, the rate-level for profit, while public ownership aiming at service tends to bring rates down to the level M N, the rate-level for service.

Private monopoly aiming at profit tends to put rates at H with the traffic H P and the profit X I, while public ownership aiming at service tends to put rates several flights of stairs lower down, at M, with the very much larger traffic M S and no profit. I say "tends," because actual rates may not be on the lines H I and M N—public ownership may place the rates above M N (though rarely or never as high as H I) or below M N, even down to the zero level, and private ownership may, through miscalculation, put rates above H I or below it (though rarely or never so low as M N). The significant fact is that *private rates gravitate to the high level* H I *with large profit and comparatively small service*, while *public rates gravitate to the low level* M N, *with large service and no profit*, and in later stages of development may seek a lower level still and even cultivate the zero line.

The curves in the figure would vary, of course, with the location and character of the business. Under some circumstances a 50 per cent. reduction of rates would double traffic and increase expenses 30 per cent. perhaps, while in another case a 50 per cent. reduction would increase the business 20 per cent. and the expenses 10 per cent. or 15 per cent. In some cases the traffic curve becomes concave toward the left as it nears the zero level, while in other cases it might be concave toward the northeast and strike the zero level at a great distance to the right. But through all the various phases of these curves the essential facts remain the

same, viz: (1) The rate level that yields the greatest profit carries a relatively small traffic and lies above the rate-level that yields the largest traffic attainable by lowering rates without incurring a deficit, and (2) private ownership seeks the high rate-level with maximum profit, while public ownership seeks the low rate-level with maximum service at cost.

A few illustrations of the vigorous manner in which this law works out in practice may be of advantage here:

The Hungarian Government at a single stroke in 1889 reduced State railway fares 40 to 80 per cent. Austria and Prussia have also made great reductions in railway charges. Belgium started in the thirties with the very low rate of four-fifths of a cent on her public railways. In New Zealand and Australia also the government managements have adopted the settled policy of reducing railroad rates as fast as possible.

When England made the telegraph public in 1870, rates were lowered 30 to 50 per cent. at once, and still further reductions were afterwards made.

When France took over the telephone in 1889, rates were reduced from $116 to $78 per year in Paris, and from $78 to $39 elsewhere, except in Lyons, where the charge was made $58.50.

Private turnpikes, bridges and canals levy sufficient tolls to get what profit may be possible; but when these same highways, bridges and canals become public the tolls are often abolished entirely, rendering such facilities of transportation free, and when charges are made they are lower than the rates of private monopolies under similar conditions, and generally reach the vanishing point as soon as the capital is paid off or before.

When Glasgow took the management of her street railways in 1894, fares were reduced at once about 33 per cent., the average fare dropped to about 2 cents, and 35 per cent. of the fares were 1 cent each. Since then further reductions have been made, and the average fare now is little more than a cent and a half; over 50 per cent. reduction in 6 years, while we pay the 5-cent fare to the private companies in Boston and other cities of the United States the same as we did six years ago, instead of the 2½ cent fare we would pay if the same percentage of reduction had occurred here as in Glasgow.

According to Baker's Manual of American Waterworks, the charges of private water companies in the United States average 43 per cent. excess above the charges of public waterworks for similar service. In some states investigation shows that private water rates are double the public rates.

For commercial electric lighting Prof. John R. Commons says that private companies charge 50 to 100 per cent. more than public plants.[1]

We could offer many other illustrations of the law that public ownership tends to lower rates than private monopoly, but this discussion may be sufficient to indicate the complexion of the facts and put the reader upon inquiry, which is the purpose of this brief article.

FRANK PARSONS.

National Public Ownership League, Boston, Mass.

[1] See "Municipal Monopolies," p. 156.

BOOK DEPARTMENT

NOTES

STEPS IN THE EXPANSION OF OUR TERRITORY, by Oscar P. Austin,[1] is a volume in the "Expansion of the Republic Series," and is designed to "tell in simple terms the steps by which the United States has been transformed from thirteen political communities into fifty." The author divides the territorial history of the country into thirteen periods and discusses the various territorial and political changes occurring in each, accompanying the text by an elaborate series of black line maps. The latter form the most important feature of the work.

The author's preference for an extremely simple style leads him to adopt a colorless one. He is likewise guilty of a few minor inaccuracies hardly excusable in a statistician of national reputation. Among these we may note his statement (122) that in 1803 the United States became owner of both sides of the Mississippi "from the source to the mouth;" that the United States acquired the Alabama portion of West Florida in 1812 (143); that Spain, in 1795, sold West Florida to France (145); that the desire to acquire the Floridas was due wholly to the "slave power" (145); that in 1819 we exchanged Texas for the Spanish claims above the forty-second parallel; and that Texas land warrants played a more important part in the South than in the North (167) in forcing the annexation of that State. These inaccuracies which may be taken as typical of many others detract much from the value of the book as a graphical representation of the growth of the United States.[2]

THE REAPPEARANCE OF "Sophisms of Free Trade and Popular Political Economy Examined," by Sir John Barnard Byles,[3] at this particular juncture in England will be readily understood. As an *ex parte* argument upon a much vexed question it has its merits; among which frankness and courage of conviction are conspicuous. These, however, are not all; for it successfully controverts many of the tenets of the "orthodox economists" and places before the reader in a good literary form what we are now acquainted with as the stock arguments for protection. It repeats some of the old errors also.[4]

RELIGIOUS FREEDOM IN AMERICAN EDUCATION, by Joseph Henry Crooker,[5] is a little book which deserves wide reading among American students. The author's main purpose is to discover the true status of religion in its relation to

[1] Pp. 258. Price, $1.25. New York: D. Appleton & Co., 1903.

[2] Contributed by Isaac Joslin Cox.

[3] Newly edited from the eighth edition with notes and introduction by N. S. Lilly & C. S. Devas, London, 1904. Pp. li and 424. Price, $1.25. London: 1849. New York: John Lane, 1904.

[4] Contributed by J. E. Conner, Ph.D.

[5] Pp. ix, 216. Price, $1.00. Boston: American Unitarian Association, 1903.

public education. To this end he discusses lucidly the function of the "secular" state, the Bible in the public schools, the need of religious neutrality, the religious motive in its relation to higher education, etc. There is an interesting chapter embodying the results of a painstaking investigation into the practices of some of the larger universities with regard to the holding of chapel exercises. A final chapter, in some respects the best in the book, contains the author's conclusions and recommendations on the subject of religion in its relation to education.

THE STOCK EXCHANGE[6] is a little book of interest to all Americans who have to do with stock exchange transactions. Within a brief compass the author has given full and excellent description of the London Stock Exchange and of its methods. The book is naturally compared with Pratts's "Work of Wall Street." It is by no means as complete as the latter, nevertheless it contains all the information concerning stock exchange transactions in London in which the general reader will be interested.

TWO GERMAN GOVERNMENT OFFICIALS connected with the collection of customs in South Germany have recently written a volume[7] on the commercial policy of the Empire. They state the purpose of their book to be "to give a survey of the development of customs duties and of the economic significance of these duties, as well as to show the connection, direct and indirect, between customs duties and the whole economic life of the nation." This, however, is only part of their purpose. It is soon evident that their ultimate aim is to urge the formation of a customs union of the nations of Central Europe, as the only defense against disastrous transoceanic competition.

This subject of "transoceanic competition" is of interest to American readers for the United States is in German eyes the chief offender. Separate chapters are devoted to Russia, England and America, which constitute, according to the authors, the three great economic domains. In the chapter on America the authors express fear of a Pan-American customs union, which, they feel, would mean nothing but probable economic disaster to the nations of Europe. They openly advocate a preferential tariff for European competitors (as opposed to American competitors) pending the formation of a Central-European Zollverein.[8]

BY ALL MEANS the best brief account of the development of English public charities is that given by Charles A. Ellwood, Professor of Sociology in the University of Missouri, in his recent pamphlet, "Public Relief and Private Charity in England," which appears as Vol. II, No. 2, of the University of Missouri Studies. The style is clear and concise and the author is to be congratulated that he has so well told a long story in less than one hundred pages.

[6] By Charles Duguid. Pp. 173. Price, 2*s.* 6*d.* London: Methuen & Co., 1904.

[7] *Brennende Agrar-, Zoll-, und Handelsfragen.* Bearbeitet und herausgegeben von Hermann Egner und Karl Schuemacher. Pp. 378. Price, 3 marks, or one dollar. Karlsruhe: J. J. Reiff, 1903.

[8] Contributed by Dr. C. W. A. Veditz, Lewiston, Me.

In his work, "How England Averted a Revolution by Force," Mr. B. O. Flower[9] presents a study of the anti-Corn-Law movement in England, or, to put it more broadly, "a survey of the social agitation of the first ten years of Queen Victoria's reign." But his purpose is deeper than to present a mere historical statement. He says we have come to depend on Old World precedents for our action as a nation to a greater degree than in our earlier history. And he tells his story to show how the rights of the people may be successfully asserted, and how the ends of justice may be reached by peaceful, orderly means. The book deals with the causes of popular unrest, the origin, progress and result of chartism, the history of the Corn Laws, and of the movement which culminated in their repeal.[10]

It happens but seldom that an American student is able to anticipate or to supersede the indefatigable Germans in the study of the history of their own country. In a monograph, entitled "Hanover and Prussia," Dr. Guy Stanton Ford[11] has established for himself a strong claim to this distinction. His study is a careful account based upon a critical use of the sources, printed and in manuscript form, of the relations of Prussia and Hanover to each other, and to the epoch-making international events set in motion by revolutionary France at the end of the eighteenth century.

By the treaty of Basel in 1795 Prussia withdrew from the first coalition against France and for eleven years she maintained a strictly neutral policy, during which her running-mate in Germany, Austria, suffered defeat in three disastrous wars with the French. Little wonder then that Prussia has been accused of bad faith, and of indifference to the interests of the fatherland, though it can scarcely account for the fact that even German historians, like Treitschke, treat the period as altogether inglorious, one of "unrelieved weakness and disgrace." It is against this attitude that Mr. Ford protests by a vigorous array of well marshaled facts. That he establishes the case for making the period the really critical one of modern Prussia can scarcely be admitted, but his main contention against the German point of view he clearly proves. Mr. Ford shows conclusively that had neutrality been made effective by an adequate military force, as the author of the policy urged, the whole result and therefore also the aspect of the period would have been changed. That it was not must be attributed to King Frederick William III. (not King William III., page 131). Prussia lost a golden opportunity and prepared the way for her own disasters.

Another feature of the study is the clear case made out for the practical identification of the interests of Hanover with those of Prussia, notwithstanding the personal union of the former with England. This Mr. Ford shows to have been inevitable because of the geographic position of Hanover, its proximity to Prussia on the one side, and to Holland, then occupied by France, on the other.

[9] Pp. 288. Price, $1.25. Trenton: Albert Brandt, 1903.

[10] Contributed by C. T. Wyckoff, Ph.D.

[11] Hanover and Prussia, 1795–1803. A Study in Neutrality. Pp. 315. Price, $2.00. New York: Columbia University Press, 1903.

The style and manner of presentation are excellent. There are occasional slips as for example one cited above, the identification of Count Hardenberg with the Prussian statesman, the undue importance attached to the acquisition of the title of King of Prussia (p. 21), and one might prefer to see the form *Tsar* in place of *Czar* in a monograph on modern European affairs. But these are minor matters scarcely to be noticed in a work so generally meritorious.[12]

GERMAN STUDENTS preparing for the degree of "Doctor of Political Sciences" now conferred by two or three universities of the Empire are required, among other things, to prepare and publish an original essay on some economic subject. In this requirement the term "original" is taken rather seriously, for the essay must not duplicate previous contributions to the literature of economics. The result of this requirement, combined with the almost universal attitude of opposition, among economists of the German historical school, to the present further development of economic theory pure and simple, is an annually increasing output of "Doktordissertationen" treating, with the greatest possible care and minuteness, of some narrowly confined field or period of economic history. These microscopic investigations, universally prompted by the kind suggestion of some "verehrter Lehrer," are piled higher and higher from year to year. Their greatest service of course consists not so much in the instruction they convey to possible readers as the profit (of a purely scientific nature) which they bring to the respective authors themselves.

From time to time, however, an essay is deemed worthy of a wider circulation and is incorporated in the "publications" of one of the great German seminaries of economics. Five essays of this class recently received by the ANNALS for review bear the following titles: "The Industries of Silesia under the Influence of Caprivi's Commercial Policy," "The Industries of the Rhine Provinces from 1888 to 1900," "The Commercial Interests of the German Cities on the Baltic Sea," Financial Trust Societies," and "The Westphalian Community of Eversberg."[13] The first of these essays is an appeal, based on data drawn from recent experience, for a foreign commercial policy which shall not curtail but, if possible, extend the foreign markets of Silesia, whose geographical position makes foreign commerce especially desirable and important. The second essay, somewhat more interesting to the American economist, is an investigation of the effects of the protectionist policy on certain trust-made commodities. The third contains a discussion of the present imperial policy with regard to the coast trade on the

[12] Contributed by W. E. Lingelbach.

[13] *Schlesien's Industrie unter dem Einflusse der Caprivi'schen Handelspolitik*, 1889-1900. By Arthur Friedrich. Pp. ii and 192. Price, 4½ marks.

Die Industrie der Rheinprovinz, 1888–1900. *Ein Beitrag zur Frage der Handelspolitik und der Kartelle.* By Theodor Vogelstein. Pp. x. and 112. Price, 3 marks.

Handelspolitische Interessen der deutschen Ostseestaedte, 1890–1900. By Stephan Jonas Pp. vi and 92. Price, 2 marks.

Finanzielle Trustgesellschaften. By Maz Joergens. Pp. xii and 160. Price, 3 marks, 60 pf.

Die Westfaelische Gemeinde Eversberg. Eine Wirtschaftliche Untersuchung. By August Engel. Pp. iii and 144. Price, 3 marks and 30 pf.

All of these essays belong to the *Muenchener volkswirtschaftliche Studien.* and are published by J. G. Cotta (Stuttgart and Berlin), 1902 and 1903.

Baltic. The fourth is a study of so-called investment trusts in England and Germany—their economic function and legal organization. The last is an economic history, from the middle ages down, of a little town in eastern Westphalia.[14]

President Hadley's book on "The Relations Between Freedom and Responsibility in the Evolution of Democratic Government"[15] grew out of the Yale lectures on "The Responsibilities of Citizenship." The object of the lectures was "to show what the ethical basis of democracy is, how it has arisen and what happens if we try to ignore it." The seven papers included in the volume discuss the working of democratic institutions in the United States, and the basis of individual liberty. There is also an analysis of freedom as a religious conception, as a legal institution, and as a foundation of ethics. The limits of individual freedom are pointed out, and the outlook for the future is discussed.

The book has the clearness, conciseness and humorous touches characteristic of President Hadley's writings. The industrial and political dangers threatening democratic institutions in the United States are well presented, but the outlook for the future is optimistic. The author believes we shall succeed in developing ethical standards regarding business and politics, that will enable us to perpetuate personal liberty and democratic institutions.

Outlines of Comparative Politics, by Prof. B. E. Hammond, of Trinity College, Cambridge,[16] is a volume designed to serve as a textbook for beginners in the study of Comparative Politics. The work is the outgrowth of the author's experience as a teacher of this subject, and is founded, he tells us, on the lectures of the late Professor Seeley. It contains a general survey of the more important states and their governments, their beginnings, growth and present political organization. Something like two-thirds of the volume is devoted to the politics of the ancient and mediæval states, thus leaving the constitutions of modern national states very inadequately treated. Twenty pages are given to the United States, two of which, strangely enough, are devoted to a description of Tammany Hall and its methods.

Charles James Fox : A Political Study, by J. L. LeB. Hammond,[17] is not a biography of the brilliant but erratic Whig leader. It is merely a series of essays dealing with various phases of his public career, as, for example, his attitude on the Irish question, on the Indian question, on the French Revolution, on Parliamentary Reform, on religious toleration, and the like. It is a philosophical study of Fox the statesman, written by a man who is thoroughly in sympathy with his subject. There are few facts presented which cannot be found in the pages of Russell, Trevelyan, or Lecky, but Hammond's conclusions sometimes differ from theirs. He shows us what Trevelyan might have shown if he

[14] Contributed by Dr. C. W. A. Veditz, Lewiston, Me.
[15] Pp. 175. Price, $1.00. New York: Charles Scribner's Sons, 1903.
[16] Pp. 485. London: Rivingtons, 1903.
[17] Pp. xii, 370. Price, $2.00. New York: James Pott & Co., 1903.

had not been diverted from his subject, that Fox's place in history has been very much underrated. Unfortunately, he rather weakens his argument at times by making invidious comparisons between Fox and Pitt. Hammond's defense of him is interesting if not quite convincing (pp. 57–60). In his opinion it was North rather than Fox who sacrificed his opinions, for the primary object of the coalition was to limit the power of the crown.

Among so many pages of unalloyed praise it is a relief to find an occasional note of disapproval. Mr. Hammond admits, quite unnecessarily, it seems to the reviewer, that Fox was wrong on the Regency Bill of 1788.

Mr. Charles Waldo Haskins was at the time of his death easily the best known accountant in the United States. Within the short space of eight years he had developed the largest accounting business in the world. Conspicuously successful in his profession, and, therefore, largely preoccupied with the duties which it laid upon him, Mr. Haskins yet found time to do much for the cause of business education in which he was deeply interested. In bringing together in permanent form the scattered papers and addresses of Mr. Haskins upon the subject of "Business Education and Accountancy,"[18] Dr. Cleveland has performed a meritorious service.

The principal chapters in the book are those entitled: "Business Training," "The Scope of Banking Education," "The Possibilities of the Profession of Accounting as a Moral and Educational Force," "The Growing Need for Higher Accounting," "The Place of the Science of Accounts in Collegiate Commercial Education," "History of Accountancy," "Accountancy in Babylonia and Assyria," and "The Municipal Accounts of Chicago."

Mr. Haskins' plea was constantly for greater definiteness in economic work. He argued strongly that the economy which did not succeed in interpreting the movements of the business world was a useless science, if indeed it properly deserved the title of science at all. He urged upon the economists of the country the importance of taking into account business facts and business problems, and of relating their science to the activity of the business world.

In a word Mr. Haskins advocated that every business presented a fund of knowledge which can be reduced to law and system, and which can be imparted in class-room instruction, and that it was to the interest of every man contemplating a business career to first provide himself as far as possible with what might be termed the scientific principles of his business. He believed that busines education was as necessary to success in business as an engineering education was essential to success in that profession. It is to be hoped that the work which Mr. Haskins inaugurated and which he developed to such a considerable extent will be carried on to success by those who were fortunate enough to come within the scope of his influence. If this book should prove to be an anticipation of the future development of scientific accounting Mr. Haskins could wish for no more lasting memorial.

[18] *Business Education and Accountancy.* By Charles Waldo Haskins, C. P. A., late Dean of the New York University School of Commerce, Finance and Accounts. Edited by Frederick Albert Cleveland, Ph.D. Pp. 239. Price, $2.00. New York: Harpers, 1904.

The Louisiana Purchase and the Exploration, Early History and Building of the West, by Ripley Hitchcock,[19] is one of the numerous volumes evoked by the St. Louis Exposition. It contains a very readable account of the discovery and settlement both of the Mississippi Valley and of the Far West region. Part I (86 pages) is devoted to a rapid review of the coming of the Spanish and the French, and of the occupation of Louisiana down to the transfer to the United States in 1803. Part II (87 pages) gives a spirited narrative of the Lewis and Clark Expedition, while Parts III and IV (197 pages), tell the story of the explorers that followed in the wake of Lewis and Clark, with a rapid survey of the winning of the West by sturdy pioneers. As a result of the haste in which the book was doubtless written, a number of minor errors have crept in. For example, on page 4, the Rio Grande and the Rio Bravo are given as separate rivers; page 27, La Salle is represented as exploring the whole course of the Mississippi; page 87, the treaty of Ildephonso is said to contain a clause denying the right of alienating Louisiana; page 94, Louisiana is said to have seceded in the spring of 1861. However, the work was not written for critical scholars, and perhaps in no other volume of so small and so convenient a compass, can a busy American find so much interesting information about the central and western portion of the United States.[20]

In Les Origines Diplomatiques de l'Independance belge, by l'Abbe Fl. de Lannoy,[21] we have an interesting narrative of the London Conference of 1830-1831, a sub-title sufficiently comprehensive. To a general review of the antecedents and the preliminaries of the Conference, which has been so fully treated by Rene Dollot, in his recent work on the origin of the neutrality of Belgium, about fifty of a total of more than three hundred pages are given. Independence, neutrality, the search for a king, the regency, the election of Leopold and the Eighteen Articles, and the campaign of ten days and the Twenty-four Articles serve as chapter headings. The author quotes freely from the published writings of the several plenipotentiaries, especially from the correspondence of Prince Talleyrand with Mme. Adelaide. We note that omissions in the "Memoires" have occasionally been supplied (see pages 122, 133). The repeated misspelling of such common English words as "foreign" is indicative of undue haste.[22]

Prof. Andre Lefevre's little book [23] on the Teutons and the Slavs is clear and well-written. The thirty-two maps it contains, showing the migrations of these peoples, are especially instructive. The author treats, principally, of the origins of the Germanic and Slavonic peoples, their invasions of Europe, and their mythologies. The purpose of the volume is merely one of populariza-

[19] Pp. xxii, 349. Price, $1.25. Boston: Ginn & Co., 1903.

[20] Contributed by Prof. John R. Ficklin.

[21] Pp. xiii, 309.

[22] Contributed by Samuel B. Crandall, Ph.D.

[23] *Germains et Slaves. Origines et Croyances.* By Andre Lefevre. Pp. 247. Price, 3.50 francs. Paris, 1903. Schleicher Freres. (*Bibliotheque d'Histoire et de Geographie Universelles.*

tion. It must be observed that the philological parts of the book are, to say the least, subject to criticism.

THE EDUCATIONAL CONQUEST IN THE FAR EAST,[24] by Robert E. Lewis, M.A., reads more like a romance than a statement of facts. Perhaps the part relating to Japan is more interesting, and particularly since it shows in a very great measure the reasons for the marvelous development of this far East Empire during the past thirty years. The results accomplished in Japan as here portrayed are perhaps among the marvels of our past century's progress. The influence of the German, the English and the American school teachers in Japan is clearly portrayed, and presents such an array of interesting incidents as challenge the admiration and increase the convictions of all friends of education.

In China the results of the modern spirit at work in the educational system are not so apparent. Some good has been accomplished, partly from the heroic efforts and activities of missionaries from the enlightened parts of Europe and the United States, but China has not progressed as Japan did, and she is well nigh in the mist and shadows of her dominant and effete influences. We have in China the working out of its logical ends (for the Chinese mind is logical in a way) of a system of examinations, which in every application work riot and ruin to an educational system such as our present civilization has demonstrated to be most helpful and most useful. The effect of all this manifests itself in two directions. First, illiteracy predominates; as the possibility of passing this rigid examination is beyond the reach of the masses, and no other outlook or guidance being apparent, the children receive no education whatever. In the second place, the traditions of the Chinese religion are fastened indelibly upon the minds of each succeeding generation. There is nothing to prepare the child for this examination save the old commentaries which have been in use for the same purpose not only for centuries, but for thousands of years, and the whole culture of the people is rendered static by holding rigidly to these unchanged and involved commentaries on the State Religion. Evidently the need of China is the establishment of training schools under State control and the creation of a thoroughly distributed system of primary or elementary Public Schools, the function of which would be not primarily to breed rulers and office holders, but to put each individual in possession of elementary knowledge and a form of culture which would break up his contentment with present conditions and compel him to seek, through increased activities, the realization of the newer ideas imparted to him by these schools. Until China succeeds in accomplishing this, her outlook as a nation will continue to be what it now is. Mr. Lewis' book gives many interesting statistics. These are scattered over his pages at random. One cannot help but regret that these statistics are not used in a more helpful manner to the scholar, but the student is able to vision the conditions for which they stand. On the whole, the book is really readable, is full of information and suggestion and presents the advance in education in these two great Oriental nations in a suggestive and stimulating manner. Certain

[24] Pp. 248. Price, $1.00 New York: Fleming H. Revell Co., 1903.

textual errors might be pointed out; for instance, on page 149, *Chih* should be *Shih*; and again, on page 152, the enumerating of mental acquisitions is set forth with evident carelessness. These minor matters are no doubt due to the haste in which the book seems to have been prepared, and perhaps to the fact that the author did not have the opportunity to make a final revision of his material. These typographical errors do not seriously mar the value of the book. Its general effect is helpful. It is a distinct contribution to the educational literature of the year.[25]

THE PROFESSIONAL TRAINING OF SECONDARY TEACHERS IN THE UNITED STATES,[26] by G. W. A. Luckey, Professor of Education, University of Nebraska, is the most extensive work yet issued on this subject; and yet, as the preface well says, it is "at most, scarcely more than a beginning." The book proper consists of 258 pages, divided into five chapters. Chapter I gives a brief historical sketch of the "beginning and growth of the professional training of teachers in Germany;" Chapter II a much briefer treatment of the rise of the Normal School in the United States; Chapter III is devoted to the movement within colleges and universities, especially in the West, for the preparation of teachers chiefly for the elementary schools; in Chapter IV is given a fuller account, by selected types, of "the special movement"—likewise in colleges and universities—"for the professional preparation of secondary teachers," which began in the University of Michigan, about 1880, and within the next twenty years spread to almost all colleges and universities of prominence in the country. Chapters V and VI conclude the book proper. Of these, the former is devoted to an attempt to answer the questions: "What, When and Where?" of professional training for secondary school teachers; the latter discusses the questions, whether teachers of elementary and of secondary schools should have essentially the same sort of professional training, and whether this training should be given for each class in one and the same institution. The author reaches a negative conclusion to each question; he holds that elementary school teachers can be most advantageously trained in the Normal Schools, and teachers of secondary schools in the educational departments of colleges and universities. The whole book is marred by numerous slight inaccuracies and misprints; still, though the great book on this subject remains to be written, the present work is well worth reading.[27]

THE MIDDLE AGES, by P. V. N. Myers,[28] is a revision of the first part of the author's "Mediæval and Modern History," which appeared in 1885. The revision consists chiefly in incorporating into the text the results of recent researches in the field of Mediæval History, and in emphasizing more the institutional side of history rather than the dynastic and military phases. The best chap-

[25] Contributed by Prof. M. G. Brumbaugh.

[26] Pp. 391. Price, paper $2.00 net; cloth, $2.50 net. New York: The Macmillan Company 1903. (Columbia University Contributions to Philosophy, Psychology and Education.)

[27] Contributed by W. S. Thomas.

[28] Pp. x, 454. Boston and London: Ginn & Co.

ters are those on Monasticism, Feudalism and Chivalry, the Papacy, the Towns, the Universities, and the Renaissance. Some of the dozen maps are new; others are the usual stock maps. A useful addition is the critical bibliography of sources and secondary works appended to each chapter. A quantity of good illustrative material is given in the footnotes, and references are made to the best modern authorities. The revision of the second part of the original text will appear later.[29]

AUSTRO-HUNGARIAN LIFE IN TOWN AND COUNTRY, by Francis H. E. Palmer,[30] constitutes the ninth volume in the series, "Our European Neighbors," edited by William Harbutt Dawson. The excellence of the earlier volumes has given the series a well-merited popularity, and to this Mr. Palmer's appreciative study of the life in Austria-Hungary will add materially. It gives us a glimpse of contemporary conditions; the daily life, manners and customs of the people of this polyglot kingdom. The German Austrians are treated in four chapters, the Hungarians in two. In the latter sufficient distinction is not made between the two strata of society, the Magyar and the Slav. A chapter each devoted to the northern Slavs, the southern Slavs and the minor nationalities brings out the strange diversity of races and customs of the Hapsburg lands. The last part of the book, in five chapters, is devoted to the political, industrial, intellectual and religious conditions of the monarchy, while a special chapter is devoted to the two capitals Vienna and Buda-Pesth.

A POSTHUMOUS BOOK by Fernand Pelloutier,[31] who for seven years was the Secretary of the General Federation of Labor Exchanges in France, gives a well-written account, from the standpoint of a socialist, of the so-called "bourses du travail," or labor exchanges. These exchanges, which have had the rare fortune of meeting with the approval not only of radical socialists, but also of hide-bound liberal economists such as M. de Molinari, are centers where laborers may discover the opportunities for employment that exist in their own and in other localities, in order to profit by this knowledge in offering their labor for sale in the best market. They resemble stock exchanges, except that instead of regulating the market for the sale and purchase of securities, they regulate it for the sale and purchase of labor, and with a view to improving the condition of labor. They furnish laborers, like the corporations of the middle ages, with the means necessary for traveling to such places as offer better conditions of employment. They provide help in cases of loss of work or in case of illness. They attempt to establish trade schools and to collect statistical data of importance to the laboring classes. Since 1892 their development in France has been rapid, and now they may be found in all parts of France, bound together into a national federation. The whole movement in France, however, is strongly influenced by socialistic doctrines.[32]

[29] Contributed by Walter L. Fleming, Ph.D.
[30] Pp. 300. Price, $1.20. New York and London: G. P. Putnam's Sons, 1903.
[31] *Histoire des Bourses du Travail. Origines, Institutions, Avenir.* By Fernand Pelloutier. Pp. xx and 232. Price, 3.50 francs. Paris: 1903. Schleicher Frères.
[32] Contributed by Dr. C. W. A. Veditz.

North Carolina: A Study in English Colonial Government, by Charles Lee Raper, Ph.D.,[33] embodies the results of a critical study of the struggle between the representatives of the crown in North Carolina and the popular party.

There are chapters on the Governor, Council and Assembly and on the territorial, fiscal, judicial and military systems. He shows us how inevitable it was that the Governor and Council should have been arrayed against the lower house of the Legislature. Many of the controversies are discussed in detail. The last two chapters summarize the chief questions in dispute, explain their constitutional significance, and trace the immediate steps which led to the downfall of royal government.

Few writers on Colonial History have emphasized sufficiently the fact that the king was the landlord as well as the head of the government in the royal province. Dr. Raper's work is hardly open to this criticism. He describes the administrative side of the land system and calls attention to the incessant quarrels over the payment of quit rents, which served to embitter the feelings of the colonists against the crown.[34]

Volume VII. of the "Publications of the Mississippi Historical Society," edited by Franklin L. Riley, Ph.D.,[35] surpasses in bulk, if not in quality, all of the previous volumes of the Society. The present volume contains twenty-nine papers, including the address of welcome delivered before the Society at its annual meeting, by Hon. John Sharp Williams. Most of the papers are chiefly of local value, although there is hardly one that cannot be read with interest by the general student of American history. There are several papers on local phases of the Civil War and Reconstruction periods, one on makeshifts during the war, one on historic homes in Mississippi, one on the cholera epidemic of 1849, and one on British West Florida. There are a number of biographical sketches, those of most general interest perhaps being sketches of the noted Indian, Greenwood Leflore, the late Senator George and Colonel Claiborne, the historian of the State. The second annual report of Mr. Dunbar Rowland, the State Director of History and Archives, shows encouraging progress in the collection and arrangement of the historical records of the State.

Decidedly above the average doctor's dissertation in scholarship and practical usefulness is Dr. George L. Scherger's "Evolution of Modern Liberty,"[36] a study of the genesis and development of the political theory embodied in the American Bills of Rights and in the French Declaration of Rights. The work is divided into four parts: (1) the history and development of natural law from the earliest times to the present; (2) the history of the doctrine of the sovereignty of the people; (3) the American Bills of Rights with particular reference to their origin and development; and (4) the French Declaration of the Rights of Man.

[33] Pp. xiii, 260. New York: The Macmillan Company, 1903.
[34] Contributed by W. Roy Smith, Ph.D.
[35] Pp. 531. Printed for the Society. Oxford, Miss., 1903.
[36] Pp. x, 284. Price, $1.10. New York: Longmans, Green & Co., 1904.

Especially valuable is the author's discussion of the influence of the American Bills of Rights upon the French Declaration.

EIGHTY YEARS OF UNION, by James Schouler,[37] is made up of extracts taken bodily from the author's larger work, and hence any criticism upon the subject matter would only be to pass judgment anew upon disconnected parts of a work which has gained a permanent place in the bibliography of American history. It was prepared, so says the author, "at the request of some eminent educators for the special use of students and the casual reader." The full presentation of some of the more important events of our history may be of service to students using only the smaller texts, and the "appreciations" of the prominent characters, from Washington to Lincoln, will interest the casual reader. The claim of the publishers that it "comprises a consecutive narrative of our United States history" for the period 1783–1865 can hardly be substantiated. When one finds that the Louisiana treaty, the head of which has been cut off, is disposed of in a little more than two pages, mostly rhetoric that makes not unpleasant reading, and nearly four pages given to the Burr-Hamilton duel and a eulogy upon Hamilton, who has already occupied considerable space, he is inclined to doubt if a due sense of proportion has been preserved.[38]

"THE INTERESTS OF THE LABORING CLASSES," says Leon de Seilhac in his book[39] on French labor organizations, "have been defended in two different ways: (1) By strikes, which are industrial wars; (2) By trades-unions, which mean armed peace." Thereupon he discusses the *raison d'etre* of trades-unions, the obstacles which stand in the way of their formation and effectual operation, and their development in France since the law of 1884. He describes several types of trades-unions, and sketches the federative tendency among large numbers of these unions. Two federations already in existence—the French Federation of Bookworkers and the Glassmakers Federation of France —are described in considerable detail.

The second part of the book discusses the so-called labor exchanges (*bourses du travail*), which are rapidly becoming an important factor in the French industrial situation. Throughout the entire book the author's attitude is one of sympathy toward labor organizations. He regards trades-unions "as a sole basis upon which it is possible to establish a rational organization of industrial society."[40]

ARNOLD'S MARCH FROM CAMBRIDGE TO QUEBEC, by Justin H. Smith,[41] Professor of Modern History, Dartmouth College, is a monograph which bears striking and conclusive testimony to the satisfactory results which may fre-

[37] Pp. 416. Price, $1.75. New York: Dodd, Mead & Co., 1903.

[38] Contributed by D. Y. Thomas, Ph.D.

[39] *Syndicats ouvriers, Federations, Bourses du Travail.* By Leon de Seilhac. Pp. 341. Price, 3.50 fr. Paris: Armand Colin.

[40] Contributed by Dr. C. W. A. Veditz, Lewiston, Me.

[41] Pp. xix, 486. Price, $2.00. New York and London: G. P. Putnam's Sons, 1903.

quently be had from the intensive cultivation of a very small field. Professor Smith has set himself to the single task of thoroughly investigating the topography of the route followed by Benedict Arnold and his forces on their march to Quebec during the autumn of 1775, and no one will gainsay the fidelity with which the author has performed his task.

The author begins by discussing the extent to which the route was known before Arnold's time. Attention is called to the fact that the French authorities in Canada considered it feasible in a proposed attack on Boston and that both Shirley and Pownall had it in mind as a practicable route whereby to menace Quebec. During the operations against Canada in 1759 despatches to Wolfe had been sent by way of the Kennebec and Chaudiere and a little later, General Amherst had had the route carefully examined by an engineer. Arnold, however, was the first to test its feasibility with any considerable force. Then follows an examination of "the witnesses" in the course of which the author passes sound judgment on each fragment of contemporary evidence. Of these there is, in truth, no dearth, and the main task lies in winnowing the wheat from the chaff. To this end the Journals of Arnold, Henry, Dearborn, Meigs and others; the orderly books, reports of engineers, accounts and correspondence are all scrutinized as to their accuracy and comprehensiveness. Next begins the main theme, an almost inch-by-inch tracing of the route followed.

A generous number of small maps is included in the volume, while in the matter of notes and citations the recognized canons of scientific historical writing are scrupulously observed. Indeed, the critical notes are models of their kind. Arnold's own journal is appropriately included in an appendix with explanatory notes. Bibliography and Index leave nothing to be desired. The author may rest assured that his work will never have to be performed again.[42]

South Carolina as a Royal Province, by Dr. W. Roy Smith,[43] is a welcome addition to the series of studies which present the results of research work initiated in the seminary of Colonial History of Columbia University. The present work is a most thorough and scientific study based upon contemporary sources, both printed and manuscript.

In distinction to the recent elaborate narrative history of this colony by the late General McCrady, this monograph selecting South Carolina as the type of a Royal Province essays, by means of a topical treatment to unfold its constitutional and administrative development, in the course of which many of the chief historical events are discussed in order to illustrate the political evolution. A comprehensive introductory chapter reviews the proprietary period, noting even in these early years the tendency of the Assembly to encroach upon the rights of the proprietors. Then logically follows three chapters of about fifty pages dealing with the land system. These present the relations between the king, who succeeded to the rights of the proprietors as landlords and the colonists who were the tenants, and the resulting controversies over land grants and quit rents, in

[42] Contributed by William Bennett Munro.

[43] Pp. xix, 441. Price, $2.50. New York: The Macmillan Company, 1903.

both of which the king was worsted. The main part of the volume, however, is devoted to the government, treating successively the executive, the legislative and judicial departments, with chapters upon the colonial agency, the military and financial systems, and finally presenting an extended review of the events between 1760 and 1776 leading to the downfall of the royal government.

Through a study of the political and institutional development of this typical colony, the author seeks to demonstrate the truth of "the thesis that the American Revolution was the climax" of the "continual conflict between two opposing tendencies," common to the colonies in general, represented by the party of the royal prerogative on the one hand, and the popular party on the other. The first, composed of the Governor, the Council and the other crown officials, as the agents of the imperial government and the representatives of the king, stood for the monarchical principle and British interests, while the House of Assembly, as the representatives of the people stood for democracy and for what they regarded as "the rights of Englishmen." When, after 1760, the English Government attempted to strengthen the administration and curb the Assembly, the effort came too late to be successful, and only excited the growth of the spirit of rebellion in the colony, while at the same time its general colonial policy developed the sentiment of union.

In conclusion it may be said without fear of contradiction, that there is no clearer presentation of the actual workings of the legislative branch and of the various administrative organs of the royal province than that found in this volume.[44]

Among the writings of the early French explorers in the Mississippi Valley none has received more attention than the works of Father Louis Hennepin.[45] This has been due, not so much to their intrinsic merit, as to the barefaced mendacity of the author, who not content with vilifying La Salle with whom he was associated for a time, attempted to rob him of the credit of being the first European to explore the lower courses of the Mississippi. The love of adventure and the fascination of the unknown sentiments so deeply influencing the men of the 16th and 17th centuries, are nowhere better exemplified than in the experiences of this Flemish friar, but his actual contribution to the knowledge of North America consists in an account published by him in France in 1683 of a journey undertaken three years before at command of La Salle from the Illinois River north toward the source of the Mississippi, where he fell into the hands of the Sioux Indians and spent some months in captivity, wandering about with these savages. This account, which appeared under the title of "*Louisiane*," was translated into English by Shea in 1880. For this reason Mr. Thwaites has chosen to edit the latter, but in some respects more interesting, work of Hennepin, in which is incorporated, together with the "*Louisiane*," the apocryphal narrative of the friar's descent of the Mississippi and an account of the Indian tribes in its valley. Not-

[44] Contributed by Dr. Herman V. Ames.

[45] *Hennepin's A New Discovery in America.* Edited with introduction, notes and index by Reuben Gold Thwaites. Pp. lxiv, 711; 2 vols. Price, $5.00. Chicago: A. C. McClurg & Co., 1903.

withstanding the falsity of its claims the second part of the book contains much of interest, for it was drawn with few changes from Le Clercq's *Etablissement de la Foi*, which included the journal of Father Membre, who really made the descent of the river with La Salle in 1682. The editing of the reprint has been done with care. An introduction gives all that is known of Hennepin's life in Europe and a resumé of his American experiences.

The most valuable part of the critical apparatus is the careful and scholarly Hennepin bibliography appended to the introduction and prepared by Victor Hugo Paltsits of the Lenox Library, New York. Various attempts at such a list have been made before, notably by Harisse, Sabin, Shea, Winsor, Remington and Dionne, but they were all marked by great inaccuracy. We now have for the first time a complete and systematic bibliography of Hennepin's works.[46]

THE HISTORY OF LIQUOR LICENSING IN ENGLAND, PRINCIPALLY FROM 1700 TO 1830, by Sidney and Beatrice Webb,[47] is really a chapter from a larger study they are making of English Local Government. The volume has largely an historical interest for us, but for the English who are now seeking the best means of controlling the liquor traffic it will prove of greater value, for it shows that many of the present proposals were tried—and in vain—long years ago, while the more successful plans are also clearly described.

REVIEWS

The United States in Our Own Time. A History from Reconstruction to Expansion. By E. BENJAMIN ANDREWS, Chancellor of the Univerity of Nebraska, and sometime President of Brown University. Pp. xxxvii, 961. Price, $5.00. New York: Charles Scribner's Sons, 1903.

This work is a continuation of the author's "History of the United States During the Last Quarter of a Century," which appeared several years ago. The plan and method of treatment of the earlier work are followed here without change. The history opens with an account of the industrial, social and political conditions in the United States at the close of reconstruction (1870) and ends with a reference to the postal frauds of 1903, embracing a period of thirty-three years and comprising a volume of nearly one thousand pages. Some of the many subjects which are fully treated are, frauds and scandals in the public service, beginning with the Tweed ring, and including the whisky frauds, the credit mobilier, the various scandals of Grant's second term, the Star route frauds, and ending with those of 1903 in the postal service. No other period in our history has been so fruitful of scandal in the public service and the uninformed reader of President Andrews' book is likely to get the impression that government frauds were matters of daily occurrence. Other subjects treated are, expositions and national anniversaries, so numerous that descriptions of them become tiresome; earthquakes, fires, floods, strikes, financial panics, Indian massacres, polar ex-

[46] Contributed by Prof. A. C. Howland.

[47] Pp. viii, 162. Price, $1.00. New York: Longmans, Green & Co., 1903.

peditions, anarchistic riots, etc. Entire chapters are devoted to Indian wars in the West, the agrarian movement in the seventies, Arctic expeditions, the World's Columbian Exposition, and the negro. The latter chapter, however, being based on the Eleventh Census, taken fourteen years ago, has little present value. The book contains a good deal of quotation and nearly one thousand illustrations, some of which add to its value as a popular work. It is, in fact, intended for popular readers and not for critical students for whom it can have little value. A serious defect consists in the inadequate treatment of political and constitutional questions which have too often been neglected for non-political matters, such as fires, floods, earthquakes, and other happenings, that have exercised no influence on the development of the country. To take an example: scarcely a page is given to our controversy with Great Britain in 1896 over the Venezuelan incident, while immediately following, the Lexow investigation in New York City and the A. P. A. controversy are each given four or five times as much treatment. Finally, the book is full of loose, inaccurate statements. To mention only two: the statement is made on page 917 that the Northern Securities Company was created with a capital stock approaching a billion dollars and on page 927 it is stated that the Elkins Act created the Department of Commerce and Labor. It should not be forgotten, however, that he who essays to write contemporary history must needs rely largely on newspaper reports for his materials and hence errors of inaccuracy are often unavoidable. In spite of all defects President Andrews' book is interestingly conceived and written and, being the only one that covers the later period of our history, it supplies a real want.

JAMES WILFORD GARNER.

Getting a Living: The Problem of Wealth and Poverty—of Profits, Wages and Trade-Unionism. By GEORGE L. BOLEN. Pp. 769. Price, $1.50. New York: The Macmillan Company, 1903.

"The purpose in writing this book . . . . is to give the connected and somewhat complete view that all intelligent citizens should have of the many economic divisions of the great problem of labor and life, but which . . . . . is possessed now by perhaps less than a tenth of even college graduates." It is a rather inclusive study of the labor problem. The twenty-eight chapters deal with such topics as "Rent and Land Ownership," "Interest," "The Employer and His Profits," "Co-operative Industry," "Profit Sharing," "Wages," "Trade-Unions and Poverty."

The author usually approaches the various problems from the point of view of a third party. The text and footnotes (of which there are entirely too many) constitute a veritable encyclopædia of miscellaneous facts. But it must be said that the author is more interested in stating what should be and what must be because of the unfailing operation of natural law, than in setting forth and explaining what actually is. In the course of his discussions Mr. Bolen gives us the results of some acute thinking and many common sense opinions. But the book brings with the good much that is bad.

In the first place, it is difficult to read. In some chapters perhaps half of

the matter is found in the footnotes, some of which must be read to get a proper understanding of the text. The style is also bad, and grammatical errors are numerous. In the second place, the material is not well organized. This makes much repetition necessary and adds to the difficulty experienced by the reader in getting at the author's thought. Again, some of the discussions are not very enlightening. The author is at such pains to justify interest and profits that little light is shed upon them. On page 52, wages, we learn, may not be higher than prices will justify, and because of the competition for laborers, they will usually be the maximum marginal employers can afford to pay. We are assured many times over that laborers will get all they produce. In the discussion of the principles determining the rate of wages, we are told that there is a "wage fund" (p. 130). "This fund consists of all that employers stand ready to spend in wages whether the money paid remains from the original starting capital, came from recent sales of product, or is yet to be obtained from sales, loans or additional investment (p. 131).

Another chapter in which the reader will be disappointed is that bearing the title: "Have Wage Workers Obtained their Share?" The average reader will expect to find information relating to what wage workers have as a matter of fact received. But of such information little will be found there or elsewhere. The author holds (p. 363) that they have obtained "a constantly increasing share of a constantly increasing product." This opinion is based upon the theory that competition among employers causes prices to fall with the diminished expense of production so that if laborers do not gain directly by obtaining higher money wages, they must gain indirectly as consumers. Inasmuch as many writers have expressed doubt as to the varying proportions in which the product has been divided, would it not have been better for the author to establish the truth of his opinion by citing facts rather than, in effect, by stating that it must be so?

But while much of the book is disappointing, it contains several very good chapters. Among others, those on "Co-operative Industry," "Profit Sharing," "The Shorter Work Day," "The Injunction in Labor Disputes," and "Prison Labor."

H. A. Millis.

Leland Stanford Junior University.

Militarism. A Contribution to the Peace Crusade. By Guglielmo Ferrero. Pp. 320. Price, $3.50. Boston: L. C. Page & Co., 1903.

In the English version of this work the original text as published in 1898 has been modified to answer the objections of its critics, and enlarged so as to include new problems for consideration. The avowed purpose of the book is to encourage "the grand work of pacifying civilized nations," and to demonstrate that a "general European war . . . . . would be a world calamity and would produce incalculable evils without recompense."

The author launches his theme with a general discussion of the principles and policies that actuate the conduct of nations in reference to peace and war at the end of the nineteenth century, devoting some attention to the significance of

the brief struggle between Spain and the United States. He traces the remote origin of the instinct of war back to the brutish passions and vagaries of barbarous multitudes or "hordes," of which the followers of the Mahdi furnish a recent type. The defects of Greek and Roman civilization, and of course the militarism incident to it are then passed in review. This enables Signor Ferrero to analyze keenly the prevailing conditions in the Ottoman Empire, the "death throes" of which he finds to be a heritage from the bellicose convulsions of ancestral hordes and a manifestation of impotence before the giant strength of a European civilization whose real development is one of peace. The Napoleonic Wars constitute a natural prelude to the particular forms of militarism as evolved in the contemporary history of France, Italy, England and Germany. The character and purposes of the militarism prevailing in these countries are examined, and the relative influence of Cæsarism and Jacobinism noted on the conditions more especially of the Latin states. A study of the economic forces that now tend to militate against war concludes the book. These, the author hopes, may usher in "the age of *Pax Christiana* . . . . . of longer duration and more glorious than the *Pax Augusta.*"

The historical method of treating the theme has led the author at times to lengthen his illustrative episodes unduly. Stilted phrases and numerous errors, also, which occur in the translation diminish the force of the propositions advanced, although they do not greatly obscure the earnestness and logical power with which Signor Ferrero has marshaled his deductions from the past and assumptions from the present. The impartial reader, nevertheless, is hardly convinced that the primary instincts of the human race have become so altered in the course of civilization as to render the love of country any the less sensitive to dishonor, or the desire for national and individual aggrandizement any the less inclined to profit by an opportunity, even at the risk of war.

WILLIAM R. SHEPHERD.

Columbia University.

Tenement House Problem. Including the Report of the New York State Tenement House Commission of 1900. By various writers. Edited by Robert W. de Forest and Lawrence Veiller. Pp. xxx, 470; 516. Two vols. Price, $6.00. New York: Macmillan Company, 1903.

These volumes contain more helpful material on the housing problem and ways to meet it than any score of volumes hitherto published. They will be classics wherever public or individual interest in the housing conditions of the working classes exists. In fact, they will be needed wherever social needs are scrutinized and social wrongs challenged, for, while primarily devoted to housing they contain valuable chapters on tuberculosis, the social evil, public baths, immigration policy, playgrounds and park systems. Very properly is the study designed as a "contribution to the causes of municipal reform, to report progress made, and to guide progress still to come." These volumes are the production of two men who more than any others were responsible for the successful installa-

tion of New York's Tenement Department, as well as for the agitation leading immediately to the legislation creating that Department.

The first volume, of nearly five hundred pages, is devoted to problems peculiar to tenements. The historical resumé is followed by a critical exposition of the essentials of the tenement problem and the essentials of remedial and preventive policies. This discussion is of interest to builders, and statesmen, as well as lay students. The chapter on the period 1834–1890 is of a high order of historical writing, it seems to the reviewer, in that it marshals facts and lines them up "according to height." Essentials stand out so clearly that even casual reading shows both the greatness of the ideals and the weakness in execution of the organizations that waged the early battles against overcrowding. True, it is easier to see in retrospect the need for sustained effort and eternal vigilance than it was when distinct gains seemed to have been achieved. But to us who review the history of over a half century of agitation, the lesson is clear. An incomplete victory means sure defeat, or to paraphrase the Indian hater, "the only safe problem is a dead problem."

Descriptive matter follows containing facts with regard to housing in various American and European cities, with interesting illustrations. Special studies are added on The Non-Enforcement of Laws in New Buildings, Fires and Fire-Escapes, Back-to-Back Tenements, Sanitation, Small Houses for Working Men, Financial Aspects of Recent Tenement House Operations in New York, Speculative Building, The Tenant's Side, The Inspector's Side, Tuberculosis in Tenements.

The second volume of about five hundred pages deals with the collateral or incidental problems mentioned above. Here again illustrations render excellent service in telling the story of baths, playgrounds, etc. The various appendices give the proceedings of the New York Commission, testimony, etc., the new code, the act which created the present department, other proposed legislation, valuable data as to rentals, and illuminating schedules which will help wherever an investigation is intended.

WILLIAM H. ALLEN.

New York City.

Contemporary France. By GABRIEL HANOTAUX. Translated by JOHN CHARLES TARVER. With portraits. Vol. I. (1870–1873). Pp. xiv, 696. Price, $3.75. New York: G. P. Putnam's Sons, 1903.

M. Hanotaux brings to the writing of his "History of Contemporary France" an unusual combination of abilities as an historian, for he combines with the scientific training of a man of letters a practical experience derived from having been premier of France some years ago. Moreover, the "atmosphere" of the period of which he writes was actually breathed by him. As he himself says, speaking of the war of 1870: "I was at that time sixteen. The generation to which I belong was barely emerging from childhood: it saw everything, its intellect was matured by that cruel spectacle. I came to Paris to begin my studies some months after the commune. The city was dejected and there were traces of

hidden agitation. From that time pressing questions arose in me: What had been the causes of the greatness of France in the past? What were the causes of her defeat? What would be the moving forces in her approaching resurrection? My manhood has applied itself to the solution of the problems put by my youth. It has sometimes allowed itself to be diverted from its studies, but it has never lost sight of them." (p. viii.)

Beginning with the condition of France in 1870, M. Hanotaux shows how specious were the foundations of the imperial régime of Napoleon III.; how "he had the power to reign only by abandoning himself body and soul to the policy of intervention;" how "like the illustrious founder of his race, he was obliged to war and condemned to a succession of victories." (p. i.) Contrasting the characters of Napoleon III. and the great Bonaparte, he sums up the two respectively in this phrase: "The one had genius; the other, ingenuity." (p. 2.) In tracing the origins of the Franco-Prussian War he seems to spare the Empress Eugenie as much as he deals out blame to the Emperor. As to the events of the war itself, they are briefly passed over, and almost the entire book is taken up with the political complications ensuing after Sedan. Some of the facts which he discusses are of exceeding interest: notably, the early determination of Prussia to demand Alsace-Lorraine (pp. 18–19), and the evidence that Bismarck was opposed to this demand, but was forced into it by the Prussian general staff—a difference of opinion which resulted in a bitter breach between Bismarck and Moltke, (indeed, much of the writing of the book revolves around the divided sentiments of the great German minister and the German general, and the hostility existing between Thiers and Gambetta); the nature and extent of the Prussian domination in France, which was so complete that the elections of February, 1871, took place under the eyes of the enemy: "In forty-three departments postal communication was forbidden, and circulation in the departments under occupation was very nearly impossible . . . . . In that part of our territory the electoral decrees were posted up by the agency of the German authorities." (p. 30.) In passing it may be stated that the extent and efficiency of the Prussian administration of France here alluded to is a very interesting matter to follow up in M. Hanotaux's book.

Throughout the book admirable character sketches are to be found; the judgment of Bismarck, all things considered, is a moderate one. The book as a whole might just as well have been called a history of the ministry of Thiers under the Third Republic, for in reality he is the central figure. Readers of Mr. Andrew D. White's "Recollections," now appearing in one of the current magazines who read his biting criticism of Thiers, will be interested especially in the judgment of a compatriot of the little minister.

The present volume concludes with May 24, 1873, culminating in the fall of the government of Thiers. The succeeding volume, it is promised, will be devoted to the presidency of Marshal MacMahon and the founding of the Republic; while the third and fourth will deal with the history of the parliamentary republic. For the satisfaction of the interested reader the author assures us that "I have

made arrangements so that the four volumes may follow one another in rapid succession."

The English edition is not all that one might wish, for the reader who is sensitive either to good English or to good French will find much to pardon. Such slipshod phraseology as "woken up" (p. 5), "notoriety" used for fame (pp. 53 and 64), "He (Bismarck) was always on deck" (p. 115) are examples of the loose parlance that abounds. There is a curious literalness also in the translation of French abstract terms, for the translator continually translates the article with the noun; *e. g.*, "*the* democracy," when speaking of democracy as a principle of government.

JAMES WESTFALL THOMPSON.

University of Chicago,

Autobiography of Seventy Years. By GEORGE F. HOAR. With portraits. Two volumes. Pp. ix, 434, and viii, 493. Price, $7.50. New York: Charles Scribner's Sons, 1903.

Ex-Senator George F. Edmunds is reputed to have once credited Senator Hoar with being one of the half dozen men who did the whole work of the Senate. However this may be, Senator Hoar's continuous service in the Senate exceeds in length that of any other man now living, and he has represented Massachusetts in the Senate for a longer period than any of the other great men who have served that ancient Commonwealth in the Upper House. For thirty-six years he has been a member of one or the other House of Congress, and almost from his first entrance into the Senate he has occupied a position of leadership among the able men of that distinguished body. During twenty-two of his twenty-seven years in the Senate, he has been a member of the Judiciary Committee, and during about half of the time he has served as its chairman. The personal recollections of few public men, therefore, should be more entertaining and instructive than those of Senator Hoar. Of the volumes under review it truly can be said, that so far as genuine entertainment is concerned, they hardly can be excelled by the reminiscences of any of our public men. Senator Hoar's style has a certain charm about it that never fails to hold the interest of the reader. He possesses a rich fund of anecdotes which is frequently drawn upon to enliven the pages of his story, while his abundant illustrations from the classics give evidence of his wide reading and scholarship.

But to the serious student the autobiography is not all that could be wished for. It does not begin to approach Grant's Memoirs in compactness, information and dignity, while it falls below some of the latter military reminiscences in one or the other of these qualities. Trivial incidents and personal references, despite the author's disclaimer that he is not a vain man, abound altogether too frequently. Irrelevant matter, such as is found in the chapters on the "Saturday Club," the "Worcester Fire Society," the "Forest of Dean," etc., still further swells the compass of the "autobiography" Here and there chapters not exceeding two pages in amount and dealing with unimportant incidents are thrown in, thus giving the story a scrappy appearance.

The most valuable features of the autobiography are the portraitures of public men whom Senator Hoar has known. The more important of these are found in the chapters, entitled "Some Judges I have Known," "Some Orators I have Heard," "Some Southern Senators," and "Leaders of the Senate in 1877." It is somewhat surprising to note the high estimate which he has placed upon some of the Southern leaders whom he has known but always opposed uncompromisingly. Thus a whole chapter, entitled "President Cleveland's Judges," is in fact devoted to an appreciation of Justice L. Q. C. Lamar. Among Republican leaders Webster, Sumner, Chase and Henry Wilson are the subjects of extended eulogy. Conkling, he thinks, was not the equal of either Blaine, Sherman or Carl Schurz. Only in dealing with General Butler does the venerable Senator lose his moderation. An entire chapter is devoted to Butler's "record" and a severe judgment passed upon his public character. Aside from portraitures of public men there is an excellent chapter on Harvard sixty years ago; there are also chapters on "Four National Conventions," the "Credit Mobilier," the "Foundation of the Republican Party," the "Political History of Massachusetts," and many others of less importance.

J. W. GARNER

Lavisse: *Histoire de France*, Tome V, Part 1, *Les Guerres d'Italie—Le France sous Charles VIII., Louis XII. et François Ier* (1492–1547). *Par* HENRY LEMONNIER. Pp. 394. Price, 6 fr. Paris: Hachette, 1903.

Lavisse: *Histoire de France*, Tome V, 2, *La Lutte contre la maison d'Autriche. La France sous Henri II.* (1519–1559). *Par* HENRY LEMONNIER. Pp. 380. Price, 6 fr. Paris: Hachette, 1904.

The co-operative *Hsitoire de France* has reached the sixteenth century. In Part I of Volume V, M. Lemonnier describes the evolution in politics, administration and intellectual life from 1492 to 1547. About one-third of the volume is taken up by the Italian wars, which brought France into contact with all Europe. Excellent chapters describe the growth of centralism and absolutism. A large space relatively (about one-quarter of the volume) is devoted to the intellectual evolution. Finally, there is a compact account of the beginnings of the Reformation movement in France.

The transformation from feudal conditions is clearly marked in the government, in the finances, in the formation of the new nobility. In the Church, too, the Concordat of 1516 brought about a great change from mediæval conditions. As a whole, the volume gives the impression of rapid evolution in all the spheres of national activity.

The economic situation under Francis I., the new literary and artistic movements, and the character of some of the chief actors, are especially well portrayed. Instead of being a confused mass of material, relating, sometimes to the political life, sometimes to the wars, sometimes to the intellectual and religious phases of the time, M. Lemonnier has succeeded in producing a well-proportioned narrative, in which each subject is described briefly but satisfactorily. He has paid greater attention than the authors of the preceding parts to the fine arts and to pedagogy.

In fact, as noted above, the general impression, both as a whole and when we examine the volume in detail, is that France is entering upon a new sphere of life, that the Middle Ages have been left definitely behind, and that France is taking the shape which she will retain until the Revolution, and, in part, until the present day.

The first two books in this second part of Vol. V are entitled, respectively: *La Lutte entre François Ier et Charles-Quint* (1519–1547) and *La Politique d'Henri II.* The author's judgment on the matters in these two books may be gathered from his statements on pp. 180, 181 and 182. "*Les rois de France furent médiocres dans la politique et dans la guerre.* * * * * *François Ier s'acharna à la reprise du Milanais, Henri II. laissa renaître la chimère des expéditions napolitaines.*

"*Dans les combinaisons diplomatiques, Charles VIII. et Louis XII. avaient montré toute leur inexpérience. François Ier, avec un sentiment plus juste des nécessités pratiques, manqua d'esprit de suite.* * * * * *Quant à Henri II., on ne voit pas très bien ce qu'il a voulu.* * * * * *Les opérations militaires ne furent guère mieux conduites.* * * * * *Les rois ne surent pas trouver d'hommes de mérite.* * * * * *En réalité, le royaume s'est soutenu et il a grandi à cette époque par la classe moyenne.*"

"*En* 1559, *une ère est close. Les conditions de la politique internationale vont se transformer, ou plutôt il n'y a plus de politique internationale au sens étroit du mot, car les intérêts se subordonnent à des passions, et ce qui divise surtout les nations et les hommes, ce sont des divergences religieuses.*" * * * *

The next book is devoted to Calvinism, its expansion and organization. In Book X ("*La Formation de l'esprit Classique en France*"), it is clearly shown that this led to an almost mediæval deference to authority. "*Ils eurent le respect presque superstitieux des maîtres, à condition que ces maîtres fussent les Anciens. En tout ce qui venait des Grecs et des Romains, l'esprit du temps ne faisait aucune différence entre le meilleur et le pire. On cite, on admire les auteurs médiocres presque à l'égal des grands; on accepte, même en matière scientifique, les assertions les plus hasardées. Presque personne, par exemple, ne songe à discuter les récits les plus étranges de Pline l'Ancien. Les ouvrages d'érudition ne sont bien souvent que des recueils de citations non contrôlées.*" (p. 281.) The author does not, however, neglect the reaction. He shows (on p. 285) that all the world did not take part in this extreme love of humanism. The old romances were reprinted in the second half of the fifteenth century and the old mysteries were still played.

In Book XI, M. Lemonnier discusses the literature and the fine arts. He does not belittle the good effects of the Renaissance. "*Elle suscita tout d'abord un grand mouvement d'idées, un élargissement d'horizon pour les esprits, de nobles curiosités, la passion de savoir.*" But his final judgment of its work is: "*Ainsi se prépara 'l'honnête homme' du XVIIe siècle, nourri dans le culte des anciens, formé par une éducation tout intellectuelle, propre à concevoir un certain idéal de beauté littéraire et artistique, mais fermé à toute conception qui n'était pas classique, peu curieux le plus souvent de connaissances scientifiques, aussi incapable de comprendre Shakespeare que de s'intéresser à Newton, indifférent aux problèmes politiques ou sociaux, dédaigneux des questions économiques et industrielles, isolé*

dans la sphère de la pensée pure et dans le monde antique où il s'enferme. Pour lui, l'Europe reste toujours celle des Grecs et des Romains, et l'Amérique n'a pas été découverte."

It is unnecessary to add that the work is thoroughly scholarly and abreast of the most recent research. The outlines and quotations above will give a better idea of the nature of the work as a whole than would be possible in any brief criticism.

D. C. MUNRO.

University of Wisconsin.

The Truth About the Trusts. A Description and Analysis of the American Trust Movement. By JOHN MOODY. Pp. xxii, 514. Price, $5.00. New York: Moody Publishing Company, 1904.

Trusts of To-day. Facts Relating to their Promotion, Financial Management and the Attempts at State Control. By GILBERT HOLLAND MONTAGUE, A. M. Pp. xvii, 219. Price, $1.20. New York: McClure, Phillips & Co., 1904.

The importance of the trust question is indicated by the rapidly increasing volume of literature devoted to that subject. The comprehensive reports of the Industrial Commission and the excellent little book, prepared by Professor Jenks, summarizing the main conclusions he had reached as the result of his connection with the Industrial Commission and others of less note, are now supplemented by Mr. Moody's volume on "The Truth About the Trusts." This book is a compilation of information made possible by the activity of Mr. Moody's Bureau of Corporation Statistics which was established to secure the data required for the publication annually of "Moody's Manual of Corporation Securities." This Manual has within the short space of four years come to fill a useful place in the current literature regarding corporations.

"The Truth About the Trusts" contains four parts: (1) an introduction devoted mainly to definitions of the Trusts, of Monopoly, and of Watered Capital; (2), a description, history and analysis of the greater and lesser Industrial Trusts, of the more important franchise trusts, and of the larger groups of railroads; (3), the classified statistics of the three kinds of trusts just mentioned, and (4) a general review of the trust movement, containing a statement of the magnitude and power of the trusts, and a brief discussion of "so-called remedies." There is appended to the book a brief list of books and articles treating of the trust question.

The larger part of the volume, and by far the most valuable part, is devoted to a description and the history of the "seven greater Industrial Trusts" and eighty-five of the "lesser Industrial Trusts." Every student of the trust question must feel indebted to Mr. Moody for the compilation of this descriptive and historical material.

The next most important feature of the book is the "classified statistics of trusts." The statistics cover 318 active Industrial Trusts. The total number of combinations—industrial, franchise and transportation—listed in the volume is 445. The information contained in this statistical compilation is so valuable that the author's summary may well be briefly stated in this review. He says:

"The aggregate capitalization outstanding in the hands of the public of the 318 important and active Industrial Trusts in this country is at the present time no less than $7,246,342,533, representing, in all, consolidations of nearly 5,300 distinct plants, and covering practically every line of productive industry in the United States."

"Of the 318 active Industrial Trusts here given, 236 have been incorporated since January 1, 1898, and 170 are organized under New Jersey laws. Those incorporated prior to January 1, 1898 (the year in which the modern Trust-forming period really dates its beginning), represent a total capitalization of but $1,196,724,310, while those formed since that date make an aggregate of $6,049,618,223." Speaking of the extent to which these trusts exercise control in their respective industries or markets, Mr. Moody says that the percentages "range all the way from 10% to 95%, and there are many cases in which the Trust does not control more than 40%. Of the total 92, however, 78 control 50% or more of their product, and 57 control 60% or more. Twenty-six control 80% or over."

The author's list of important Franchise Trusts includes 111 entries. "In this list are embraced important public service consolidations, including telephone, telegraph, gas, electric light and other electric railway companies, representing about 1,336 original corporations. The total outstanding capitalization of these Franchise Trusts is as reported, $3,735,456,071."

In discussing railroad consolidations Mr. Moody describes six groups or "Communities of Interest," which together "represent a combined outstanding capitalization (par value of stocks and bonds) of $9,397,363,907, or nearly 80% of all the floating railroad capitalization of this country." Mr. Moody says these six railroad groups control directly and indirectly, "nearly 95% of the vital and American railway mileage." "This railway consolidation embraces about 1,040 original companies."

"Thus it will be seen that including industrial, franchise, transportation and miscellaneous, about 445 active trusts are represented in the book with a total capitalization of $20,379,162,551. They embrace in all about 8,664 original companies."

"To analyze these figures slightly in detail we find that of the Industrial Trusts 10 have $100,000,000 capitalization or over, 30 have $50,000,000 or over and 129 have $10,000,000 or over. Of the Franchise Trusts 11 exceed $100,000,000, 23 exceed $50,000,000 and 94 exceed $5,000,000. Of the six Great Railroad Groups, all exceed $1,000,000,000 capital, while the Morgan Group exceeds $2,200,000,000."

Mr. Moody's account of the grouping of railroads by Communities of Interest, though brief, is instructive; but his discussion of the causes which have brought about railway consolidations, is a decidedly weak and trite rehearsal of the facts compiled by C. F. Beach, Jr., Esq., in a brief prepared for submission to the Supreme Court, in connection with the Northern Securities case.

Mr. Moody's summary of the Trust problem in his "General Review of the Trust Movement" is disappointing. What he says about the magnitude and

powerful influences of the Trusts is based on concrete data and is highly valuable, but what the author says regarding the remedies, reveals a superficial knowledge of the literature and laws regarding trusts; and his general conclusion shows a narrow bias against all governmental interference with the activities of the powerful trusts. There is much said against existing legislation regarding trusts, but nothing against the control of production and prices by unregulated combinations. Moody says: "It is a peculiar fact that while the term monopoly is more or less obnoxious to us all, the thing itself does not seem to be."

Mr. Montague has written a readable and well-balanced little book in which he discusses the views of the Industrial Commission regarding trusts, considers the recent legislation of the States and Congress, analyzes the recent decisions of the courts on questions involving the common and statutory law as applied to monopoly and restraint of trade, and sets forth the work accomplished by Ex-Attorney General Knox. The general reader will find the book a good survey of the Trust problem.

Six chapters of the volume deal with the development of industrial combination, the savings of combination, the evils of practical monopoly, the evils in present trust organizations, the history of anti-trust legislation and the outlook for trust regulation.

The conclusion reached in discussing the evils of practical monopoly, is that the ills connected with the industrial monopolies tend to correct themselves, but that the evils of "railway discrimination stand out as the ill that is not self corrective." The other abuse calling for correction by law is found in the "defective organization and faulty management" of modern trusts. "Over capitalization," the author says, "is the first great evil of modern trust organizations." This evil tends to correct itself so slowly, that some statutory remedy must be applied.

Mr. Montague summarizes his views concerning the method by which the trust question may be solved, in the following words: "By enforcing publicity in interstate trading corporations—assuming that the trusts are demonstrably engaged in interstate commerce—the whole evil arising from the form of modern trust organization might be corrected. By strengthening the Interstate Commerce Act to prevent freight discrimination, the whole evil of practical monopoly might be corrected. These two last remedies, be it noted, carry in themselves the cure of most trust ills. In harmony with stricter State corporation laws, enacted along the lines laid down by the proposed New York Companies' Act and the recommendations of the Industrial Commission these remedies might relieve the trust situation."

EMORY R. JOHNSON.

Introduction to Economics. By HENRY ROGERS SEAGER, Ph.D., Adjunct Professor of Political Economy, Columbia University. Pp. 565. New York: Henry Holt & Co., 1904.

Counting works that have already been published and others that are likely to appear during the coming months the present year will prove uniquely productive of high-grade college text-books in economics. But if none other had appeared or were to appear than the book before us, the year would still have been rich in product, for Professor Seager not only has given us an unusual text-book, but he has made as well an important, if not original, contribution to the literature of economics. Indeed, it is not too much to say that he has brought the work of contemporary American theorists into its proper relation to the work of Professor Marshall, much as Professor Marshall himself had already adjusted the theories of the Austrian economists to those of the English classical school.

The book naturally divides itself into three parts. The first, comprehending two chapters, deals with the economic history of England and of the United States. The remaining two parts are evenly proportioned between an exposition of the principles of economists and an application of those principles to practical problems.

The historical sketches are more than mere statistical summaries in that they picture significant tendencies quite as clearly as they do important facts. The chapters on practical problems are models of exposition and argumentation, the treatment of the trust and labor problems being particularly clear and comprehensive. The point of view throughout this part of the work, although far from concealing the existence of present-day evils and the desirability of reform, is quite conservative, and the discussion sane, dignified and fearless.

But from the standpoint of the economist the theoretical portion of the book is of chief interest, for the author has on the whole very acceptably performed the task of re-interpreting and harmonizing various more or less isolated and apparently divergent theories. The chapter on the consumption of wealth distinctly shows the influence of Professor Patten's writings, as do those on production the work of Professor Marshall. Like Marshall the author thinks that relevancy to actual facts, if not to the needs of economic theory, demands that land be regarded and treated as one of four distinct factors in production: land, labor, capital and business organization. In his comparatively exhaustive treatment

of distribution, however, at least as regards essentials he places himself squarely on the same footing with those adherents of the productivity theory to whom the above classification of the factors of production seems to be especially objectionable. To his view, as to theirs, under normal or static conditions each factor gets what it produces. In the development of the theory the mathematical method with its use of the marginal and differential concepts is employed throughout. In his treatment of the rent of land gradations between different kinds of land and the different powers in each kind are regarded as so far from being infinitesimal as to warrant a classification analogous to the author's classification of labor groups—which, it may be added, is modeled after Cairns' theory of non-competing groups. From a pedagogical standpoint the whole discussion of distribution is full of difficulties, for except under the most skillful exposition at the hands of a thoroughly equipped teacher the average student will fail to eliminate the frictional forces from his view of normal economic processes and will not acquire the habit of reasoning in marginals and differentials. On the other hand, frequent, thorough and accurate summaries of arguments here as elsewhere in the book, and unambiguous and consistent use of terms (*e. g.*, in the distinctions between capital and capital goods, between cost and expense and between painful effort and sacrifice) ought to do much to neutralize these difficulties.

In conclusion it ought to be said of the work as a whole that the author's manifest attempt to make it at once concise, comprehensive and authoritative, although adding to its merit as a treatise on economics, is likely to detract from its usefulness as a text-book with students of immature mind. But even when this has been said the reviewer cannot avoid the opinion that the book is altogether the best introduction to the study of economics that has yet been written.

ROSWELL C. MCCREA.

Bowdoin College.

The Expansion of Russia, 1815–1900. FRANCIS HENRY SKRINE, F.S.S. Pp. viii, 386. Price, 6*s*. Cambridge: University Press, 1903.

A concise historical account of the expansion of Russia in the nineteenth century, relating not only to the military and diplomatic events connected with it, but also exposing the underlying racial and economic causes, would be a welcome addition to the ever increasing literature on the Eastern situation. Mr. Skrine's book, however, only partially meets this need. The title which he has chosen is not a true index of the contents. The work is in reality a general history of Russia written after the style of the Oxford series of European History, edited by Hassall. The author has not made the salient features of Russian expansion the central theme of his book, but has simply grouped the events of foreign and domestic importance under the reigns covering the period with which he deals. True to English precedent, he treats politics and diplomacy with great detail. Considerable attention is devoted to the part played by Alexander I. in the European settlement of 1815, to the Russification and government of Poland, to the Turkish question, and to the advance in Asia. One of the most interesting features of the book is the attitude which the author, a retired Indian

civil servant, takes toward Anglo-Russian relations in the East. While believing that the true interests of Russia lie in the Asiatic rather than in the European advance, Mr. Skrine scouts the idea of Russian designs upon British dominions. Quite rightly he regards the successive stages of Russian advance into the southeast as the result of unforeseen and inevitable circumstances rather than of a far-sighted and conscious policy. The Russian movements in the direction of India he considers merely as menaces to England in case the latter power attempts to thwart her real purpose in the Asiatic advance which is the opening of Eastern trade routes through the ice free ports. The author condemns British foreign policy in the East as "one of undignified protest and panic," and pleads for a *modus vivendi* and cordial relations between the two countries. This view is held by a large number of Englishmen—even Lord Beaconsfield thought Asia wide enough for both Russia and England—but the logic of recent events may alter their opinion. Had Mr. Skrine written his book after the outbreak of the Russo-Japanese War, he might not have been so optimistic, even though he regards Japan as intoxicated by the "lust of dominion"—a species of intoxication not peculiar to that people. In the competition for the land-borne Indian trade and predominance in Persia, the author considers Germany "a more subtile antagonist than England." On the Finnish question, Mr. Skrine takes middle ground, holding that "perfervid patriotism has led the Finlanders to forget past favors and the wisdom of conciliating their mighty neighbor," while Russia "might probably have secured all her aims by adopting strictly legal methods and appealing to the steadfast loyalty of the Finnish people." Russian social and economic questions are not neglected in the book, although their interesting character makes one wish that more space had been devoted to them. Domestic reforms in civil and military administration, abolition of serfdom, extension of the railway system and, especially, the industrial developments of the last quarter of a century are treated somewhat at length. Mr. Skrine believes in the "intrinsic soundness" of the new capitalist undertakings, notwithstanding some apparent instability. He points out the imminence of the social revolution which must follow the shifting of economic forces and classes brought about by the industrial revolution. The book closes with a brief account of the Tsar's peace circular and The Hague Conference, which is held to be "not devoid of solid results." The value of the work is enhanced by a full and well-selected bibliography, a carefully prepared index, and three maps—two of which are of special importance, showing step by step the extension of the frontiers and the present expanse of the Empire with all its important railway trunk lines.

CHARLES A. BEARD.

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NOTES

I. MUNICIPAL GOVERNMENT

Denver.—*Home Rule for Cities.*[1] The Twentieth Article—better known as the Rush Amendment—to the Constitution of Colorado, was, on the 18th day of March, 1901, submitted to the electors of the State and, by them, ratified at the general election in November. The Governor, by proclamation, declared the amendment in force December 1. Immediately the courts were asked to pass on the constitutionality of the amendment. The decision of the Supreme Court, sustaining the constitutionality of the amendment, was handed down February 27, 1903.

While the amendment was intended, principally, to create the "City and County of Denver," and give it home rule, there was added a section extending the privilege of home rule to cities of the first and second classes if they desired it. But not one of these cities has taken advantage of the opportunity to adopt a charter and govern itself under organic laws of its own creating.

The charter adopted by the First Charter Convention of Denver, in session from June 9 to August 1, 1903, was rejected by the people. A second Charter Convention has been held and a new charter, radically different from the first, is now before the people. If it is rejected, March 29, a new election for members of a third Convention must be held within thirty days, and the members elected must proceed to the making of a new charter. In the meantime the organic laws of Denver remain the same as they were when the Twentieth Article went into effect. If the people ratify the present proposed charter, it becomes the organic law of the "City and County of Denver" as soon as the City Clerk files two duly certified copies of the same with the Secretary of State. The legislature has no authority in the matter.

The question of most serious import is, Is the City and County of Denver entirely without the jurisdiction of the State Legislature.

The amendment declares that Denver "shall have the exclusive power to amend its charter, or adopt a new charter, or to adopt any measure," and further declares that "no such charter, charter amendment or measure shall diminish the tax rate for State purposes fixed by an Act of the General Assembly," or interfere with the collection of State taxes. In the case of *State of Colorado, ex rel Elder vs. Sours*, in which the constitutionality of the Twentieth Article was determined, Justice Campbell declared Denver to be "absolutely free from all constitutional restraint and from any supervision by the General Assembly." But Justice Steele declared: "The provision that every charter shall designate the officers who shall, respectively, perform the acts and duties required of county

[1] Communication of Professor Frank H. Roberts, University of Denver, March 15, 1904.

officers to be done by the Constitution or by the general law, as far as they are applicable, completely contradicts the assumption that regards such duties as being subject to local regulation and control."

After naming the officer to perform some strictly county duty, the Charter Convention, then, said he, "shall perform the duties of the office of —— as prescribed by the general laws of the State," or by the Constitution, "and such other duties not inconsistent with such laws as the Council may by ordinance direct." But in matters that are purely municipal the charter either prescribes the duties or leaves them to be prescribed by ordinance.

It is generally believed that it will require a great deal of litigation to determine exactly the status of Denver.

Missouri.—*Home Rule for Cities.*[2] The Constitution of Missouri, adopted in 1875, and now in force, empowered the city of St. Louis to frame a charter for its own government. (Article 9, Sections 20 to 23 inclusive.) The Constitution also authorizes cities having a population of more than 100,000 to frame a charter for their own government. (Article 9, Section 16.) Under these Constitutional provisions, the charter must be consistent with and subject to the Constitution and laws of the State. The charter is first prepared by a Board of thirteen freeholders, and is then to be submitted to the qualified voters of the city at an election held for that purpose. If a majority of the electors voting at the election in St. Louis, or four-sevenths of the qualified voters in other cities, ratify the same, the proposed charter becomes the charter of the city and supersedes any existing charter or amendments thereto. The Constitution provides, in cities other than St. Louis, that the charter shall, among other things, provide for a Mayor and two Houses of the Municipal Council, one of which, at least, shall be elected by general ticket.

The people of the former county of St. Louis, on August 22, 1876, ratified the "Scheme and Charter" prepared under the authority of the Constitution, and this became the charter of St. Louis sixty days thereafter. (State ex rel Finn, 4 Mo. App. 347). Kansas City has accepted the charter-framing privilege and adopted a charter, which became operative May 9, 1889. (Kansas City *vs.* Bacon, 147 Mo. 259.) The Constitution provides that the charter shall become operative in the City of St. Louis sixty days after ratification by the voters, and in other cities thirty days thereafter; and that a copy shall be filed in the office of the Secretary of State and one recorded in the office of the Recorder of Deeds, in the county in which the city lies, and thereafter all courts shall take judicial notice thereof. Approval by the legislature is unnecessary. The State legislature has no power to amend such charter. The Constitution provides that such charters may be amended only by the qualified voters of the city.

There are only three cities in Missouri of sufficient population to take advantage of this provision of the Constitution, and of these St. Louis and Kansas City have availed themselves of the privilege. In no instance has such charter been rejected by the people.

[2] Communication of H. L. McCune, Esq., Kansas City, Mo.

Charters drawn under the authority of the constitution "must be consistent with and subject to the laws of the state." This provision has been construed by the Supreme Court as limiting the municipality to legislating only with reference to matters of purely local concern. It has therefore been held that where the provisions of a city charter creating a board of police commissioners conflict with an act of the legislature governing the same subject, the charter provisions must give way. This for the reason that laws providing for a metropolitan police system for large cities are based on the elementary proposition that preservation of the public peace is a governmental duty resting upon the state and not upon the city. [State *vs.* Police Commissioners, 71 S. W., Rep., 215].

The provissions of the state statute with reference to the payment of expenses of the police department and of the salary rolls also supersede the charter provision governing the method of apportioning and paying city funds, and the municipality must pay such expenses when the police board has certified the amount thereof. [State *vs.* Mason, 153, Mo., 23].

Washington.—*Home Rule for Cities.*[3] The Constitution of Washington provides that "any city containing a population of 20,000 inhabitants or more shall be permitted to frame a charter for its own government consistent with and subject to the Constitution and laws of this State." The charter of any such city must be framed by fifteen freeholders elected by the qualified voters and ratified by a majority of the voters voting thereon. "Such charter may be amended by proposals therefor submitted by the legislative authority of such city to the electors thereof at any general election" and ratified by a majority of those voting thereon. The Constitution further provides that "any county, city, town, or township, may make and enforce within its limits all such local, police, sanitary and other regulations as are not in conflict with general laws."

The indebtedness of cities is limited by the Constitution to one and one-half per cent. of the taxable property therein, except with the assent of three-fifths of the voters, at an election held for that purpose, in which case the total indebtedness shall not exceed five per cent. of the assessed value of all taxable property. For the purpose of supplying the city with water, light and drainage, owned and controlled by the municipality, a further indebtedness of five per cent. may be incurred, if assented to in the manner above mentioned.

The first legislature after the admission of Washington as a State passed what is known as the Enabling Act, for cities of the first class, which enumerated the powers of such cities and authorized them "to provide in their respective charters for a method to propose and adopt amendments thereto."

The method of amending city charters was before the legislature again in 1895, when an Act was passed requiring the City Council, on petition of one-fourth of the qualified voters, to cause an election to be held for the choice of freeholders to propose changes in the existing charter. An Act of the last legislature conferred the power to propose amendments to a city charter upon application of fifteen per cent. of the qualified electors.

[3] Communication of Professor J. Allen Smith, University of Washington, Seattle, Wash.

Many Acts have been passed changing the general law applicable to, and amending the charters of, cities of the first-class. The Constitution recognizes the principle of municipal self-government, but permits the legislature to determine how far the principle shall be carried in practice. The Supreme Court of this State has intimated that the constitutional provisions recognizing the right of municipal self-government are not self-executing, and does not seem disposed to concede to cities of the first-class any important powers, except such as have been expressly conferred by statute. For example, the statutes of Washington authorize cities of the first-class "to regulate and control the use" of gas supplied by a private corporation, and the charter of Tacoma gave the City Council power to fix the price of gas so supplied. Suit was brought to enjoin the city from exercising this power. The city of Tacoma claimed this power under the constitutional and statutory authority given to cities of the first-class. The Supreme Court held, however, that while it had the power to regulate and control, expressly given it by statute, it did not have the power to fix the price.

Duluth.—"*Home Rule" Charters in Minnesota.*[4] Some years since, the question of charter revision prominently engaged the larger municipalities of the State of Minnesota. In 1897 the legislature of Minnesota (see Chap. 280, General Laws of 1897) proposed an amendment to the State Constitution granting to cities, and villages desiring to incorporate as cities, the privilege, under certain specified restrictions, of framing their own charters. This amendment was voted upon at the general election on November 8, 1898, and was carried, the vote standing 68,754 for, and 32,068 against, the same. It became operative through the proclamation of the Governor of the State on December 29, 1898.

The Constitutional amendment expressly provides that the local law shall be consistent with the laws of the State, and specifies in detail numerous governing provisions:

1. The several charters are to be prepared by Boards of Charter Commissioners, composed of fifteen freeholders of the respective localities, appointed by the judge or judges of the local district courts. The charters must be submitted, upon thirty days' published notice, to popular vote; and, upon receiving the affirmative vote of four-sevenths of the qualified voters voting at the election, are thirty days thereafter to become effective.

2. The said Boards are permanent bodies, vacancies in which are to be filled in the same manner as original appointments are made, and the term of office of the several members thereof shall not exceed six years.

3. Amendments may be proposed by the Board and submitted to popular vote, and must be so submitted on petition of five per cent. of the legal voters. A three-fifths affirmative vote is necessary for their adoption.

4. It is a prescribed feature of all such charters that they shall provide for a chief magistrate and a legislative body of either one or two houses; and, if of two houses, that at least one of them shall be elected by the general vote of the electors.

The State legislature, on April 20, 1899 (see General Laws of 1899, Chap.

[4] Communication of W. G. Joerns, Duluth, Minn.

351), passed the required Enabling Act, which, in the main, followed closely the language of the Constitutional amendment, but fixed the term of office of the Charter Commissioners at four years; and provided, that "such charters may provide for regulating and controlling the exercise of any public franchise or privilege in any of the streets or public places in such cities, whether granted by such municipality or by or under the State or any other authority;" that no perpetual franchises shall be granted, and no exclusive franchise except on a majority vote of the qualified voters, and then not for a period exceeding ten years. Substantial restrictions are also placed upon the debt-creating capacity of the municipalities.

From the foregoing it is, therefore, evident that:

1. Such charters need not receive the approval of the State legislature before taking effect; albeit the legislature was first required to make the Constitutional amendment effective by the passage of the Enabling Act before referred to.

2. The power of the State legislature to amend individual charters is circumscribed by a Constitutional inhibition on special legislation and the provision in the charter amendment providing for general legislation as applied to specified classes. How far the legislature might, by general laws not entrenching on the provisions of the Constitutional amendment, affect the provisions of local charters, as for example, on the question of franchises, would be a matter for judicial determination.

The cities that have availed themselves of the privilege to thus frame their own charters, as reported from the office of the Secretary of State at St. Paul—with the date of the filing of a copy of such several charters in that office as required by law—are as follows:

Barnesville	July 25, 1898.
Blue Earth	April 11, 1899.
St. Paul	May 28, 1900.
Moorhead	June 20, 1900.
Duluth	Sept. 24, 1900.
Fairmont	April 11, 1901.
Willmar	Dec. 1, 1901.
Little Falls	Feb. 8, 1902.
Ortonville	April 12, 1902.
Ely	March 21, 1903.
Austin	April 13, 1903.

There are in Minnesota fifty-three municipalities that, by the census of 1900, have a population of over 2,000; and of these, thirty-five have less than 5,000; eleven have more than 5,000 and less than 10,000, and only six have more than 10,000, namely: Minneapolis, St. Paul, Duluth, Winona, Stillwater and Mankato, the first three only being in any sense metropolitan cities. Of the municipalities before enumerated as having adopted charters, two, namely: Barnesville and Ortonville, have each less than 2,000 inhabitants.

The first charter that was framed in Duluth failed of adoption. Some of

the changes advocated were, perhaps, too radical, and its adoption was also opposed by a contingent of ward politicians, who were being legislated out of office. Possibly, also, the people may not, at that time, have awakened to the substantial import of the charter movement. The second attempt, however, proved successful, some modifications having been incorporated, though many very wholesome features were retained. The Duluth charter has been amended since its adoption, but not in any important particular.

The result in Minneapolis is well stated in the words of the kind reply of a Minneapolis official to my inquiry, herewith quoted, as follows: "Minneapolis is not operating under a 'home rule' charter. Our charter was adopted in 1872, and was subject to amendment until about 1891, when the State legislature passed an Act prohibiting the future amendment of our charter. At each of the three last municipal elections (1898, 1900 and 1902) a new charter was drafted by a Charter Commission and submitted to the voters for adoption, but failed in each instance to receive the necessary number of votes. Another charter has been drafted and will be submitted at the election to be held in November of this year. It is, I think, generally understood that the reason no new charter has been adopted is that the framers have made too many changes from our present charter, and have incorporated provisions which have antagonized certain interests"

California.—*Home Rule Charters.*[5] The Constitution of 1879 granted to the cities of over 100,000 inhabitants charter framing privileges. This provision was amended in some details in 1887, but still applied to cities of over 100,000 inhabitants. In 1892 the provision was amended, and its provisions were made to apply to cities of 3,500 inhabitants and over. Such charters must be approved by the State Legislature before taking effect. The Legislature has no power to amend such a charter, but must accept or reject it as a whole.

The cities that have availed themselves of charter framing privileges are as follows:

CITIES WITH FREEHOLDERS' CHARTERS.

	Population.	Date of Adoption.
San Francisco	400,000	1899
Los Angeles	125,000	1889
Oakland	70,000	1889
Sacramento	30,000	1893
San Jose	22,000	1897
Stockton	18,000	1889
San Diego	18,000	1889
Berkeley	15,000	1895
Fresno	13,000	1901
Pasadena	10,000	1901
Vallejo	8,000	1897
Eureka	8,000	1895

[5] Communication of William Denman, Esq., San Francisco.

CITIES WITH FREEHOLDERS' CHARTERS.

	Population.	Date of Adoption.
Santa Barbara	7,000	1899
Grass Valley	5,000	1893
Napa	5,000	1893
Watsonville	4,000	1903
Salinas	4,000	1903

Total—17. See statistics of the years given for copies of same.

No charters have ever been rejected by the Legislature—nor amendments thereto.

Charters rejected by Electors:

San Francisco	twice
Alameda	once
San Jose	once
Santa Cruz	once
Redlands	once
Santa Rosa	once—but received a majority voting on the question—but not a majority of votes at the election.

Boards of Freeholders have been elected to frame charters in Santa Rosa and Riverside.

Agitation of the matter in Santa Clara, Redlands, San Bernardino. The only measure of general importance affecting municipal home rule in this State is a proposition to authorize municipalities to give to the holders of subordinate positions in the public service a tenure during good behavior.[6] As the Constitution now stands, it provides that all offices in the State shall have either a tenure for four years or less, or that they shall hold at the pleasure of the appointing power. Our Courts have held that such subordinate positions as deputy health inspectors, police officers and clerks, are offices within the meaning of this section. Some of the Civil Service reformers seem to think it is necessary to guarantee to the holders of these subordinate positions a tenure which will last until they shall have been tried on definite charges and removed for cause. There are many of us who consider ourselves equally strong Civil Service men, who are opposed to this measure. As the Constitution now stands, the charters may provide that such position shall be filled only from an eligible list made up after examination by the Civil Service Board. It seems to us that once having taken away from the head of the office the power to remove at will, the spoil system has been destroyed. Heads of offices will not remove competent men when they have no opportunity to fill the vacancy with their personal friends and political followers. The difficulties attending the trial of persons charged with incompetency are so great, and the

[6] In San Francisco we now have appointments from an accredited list, and a charter provision providing for a trial before removal. The latter provision is unconstitutional and the proposed amendment is to make it effective.

friends of the party under trial create such disturbances in the newspapers, that many heads of offices would hesitate to attempt removals in such a manner. As a matter of fact, in the School Department, where that system prevails, there never has been to my knowledge, and I think I am informed of all the cases, a removal for incompetency, and the result of the tenure during good behavior and for removal for cause in that department at least has been that the only persons that have been removed are those whose delinquencies are so flagrant that a trial is entirely unnecessary.

San Francisco.—*Charter.*[7] The Charter of the City and County of San Francisco, which went into effect a little more than four years ago, has proven fairly satisfactory. It has been necessary, of course, to change a few details here and there in the light of experience so as to obtain the most effective administration. Seven amendments of this nature were adopted by the electors at a special election held December 4, 1902, and approved by the Legislature a few months later.

One of the amendments adopted a year ago removes all doubt as to the power of the municipal authorities to compel the joint use of tracks by street railway companies. Another, in order to induce good men to become candidates for office, increases the salary of the assessor from $4,000 to $8,000 per year, while a third authorizes an appropriation (not exceeding $5,000) for pensioning certain "aged, indigent, and infirm exempt firemen." Two amendments relate to the improving, cleaning and sprinkling of streets. Application for street improvements, it is provided, must be made by owners of property assessable for costs or by the constituted authorities of the city. The taxpayers are thus rid of the activity of the contractor who was interested in furthering plans for street improvements. The Board of Public Works is given more power in making improvements where objection is met with. Formerly objection by the owners of two-thirds of the property assessable for costs constituted an absolute bar to further proceedings without beginning anew. Now such an objection shall cause a "delay" of six months after which the improvement may be made, and where but a small part of a street (not exceeding two blocks) remains unimproved, such an objection need not even cause delay. The provisions of the Charter are extended and made applicable to sidewalks also. But more important, the Charter is amended so as to permit the city to provide for cleaning and sprinkling of streets by contract or by direct labor. Till then it was limited to the contract system, which has been unsatisfactory because of the inability of the Board of Public Works to compel the contractors to fulfill their entire obligation to the city. Another amendment permits the city to borrow for the purchase of building sites as well as for the erection of buildings. And finally, Article XII, relating to the acquisition of public utilities, was amended so as to rid the city of expense incurred for unnecessary labor.

The Charter declares it "to be the purpose and intention of the people of the City and County that its public utilities shall be gradually acquired and ultimately owned by the City and County." To that end it was provided that

[7] Communication of Prof. H. A. Millis, Leland Stanford Junior University.

"within one year from the date upon which this Charter shall go into effect, and at least every two years thereafter until the object expressed in this provision shall have been fully attained, the Supervisors must procure through the City Engineer plans and estimates of the actual cost of the original construction and completion by the City and County, of water works, gas works, electric light works, steam, water or electric power works, telephone lines, street railroads ,and such other public utilities as the Supervisors or the people by petition to the Board may designate." This, if complied with, would involve much work for the City Engineer—most of it of little practical value. The section was amended so that now such plans and estimates shall be made only where public ownership is seriously considered.

The Charter declaration quoted above was accepted by the Committee of One Hundred and by the Board of Freeholders without a dissenting vote. Yet when a referendum vote was taken December 2, 1902, to decide whether or not to purchase and operate the Geary Street Car Line as a municipal enterprise, it failed to receive the necessary two-thirds majority (the vote being 15,120 "for" to 11,334 "against"). At present the attitude toward municipal ownership is not as favorable as it was four years ago.

While the Charter as a whole has proven fairly satisfactory it has come into conflict with the State Constitution at one vital point—in the matter of Civil Service. An attempt to secure amendments to the Constitution so as to give full effect to the Charter provisions relating to this point has proved futile.

The government of San Franciso is a consolidated government; that is, it is the government of the City and County of San Francisco. The Charter provides for merit rule in practically all the departments of the administration. But in Crowley *vs.* Freud (132 Cal. 440) the Supreme Court of the State (by a vote of four to three) held that the provisions were void in so far as the so-called county offices were concerned. These are the offices of the sheriff, clerk, recorder, coroner and assessor—some of the largest departments of the consolidated government.

Subdivision 4 of Sec. 8½ of Article XI of the State Constitution says: "Where a city and county government has been merged and consolidated into one municipal government, it shall be competent in any charter framed . . . to provide for the manner in which, the times at which, and the terms for which the several county officers shall be elected or appointed, for their compensation, and for the number of deputies that each shall have, and for the compensation payable to each of such deputies." The Supreme Court holds that this does not confer power to prescribe the conditions of appointment of deputies, but merely to fix their number and their compensation.

Civil Service.—Again the Charter (Sec. 12, Article XIII) provides for permanency of tenure. This, though it has not been adjudicated (see Cahen *vs.* Wells, 132 Cal. 447) is believed to conflict with that part of the Constitution which provides that the duration of any office, not fixed by this Constitution, shall not exceed four years.

To remedy these two defects and to give the merit system the general

application intended by those who drew up and ratified the Charter, two amendments to the Constitution were presented to the last Legislature. One was defeated in the Senate largely by the vote of San Francisco politicians (seven of nine Senators voting "No") and the other was withdrawn. Consequently the civil service provisions apply to only a part of the city government.

But even here all is not well. In San Franciso, as elsewhere, merit rule has had every possible obstacle placed in its way by those whose personal interests are sacrificed. In some instances, the courts have granted injunctions against the holding of examinations to establish lists of eligibles. Some of these have been granted with little reason, as where the holding of an examination was enjoined on the ground that it was non-competitive because those under a certain height would not be accepted as applicants. This particular restraining order was temporary, it is true, but in effect it was something more for many months have brought no final decision with reference to whether or not it should be made permanent. But in spite of legal obstacles progress was being made till recently and in 1902 most of the departments of the city government had come to look upon merit rule with favor and the others looked upon it as an evil which must be accepted as fixed. More recently, however, great inroads have been made with the civil service and its friends have cause to fear for its more immediate future.

The Charter makes it incumbent upon the Mayor to appoint as Civil Service Commissioners three men "known by him to be devoted to the principles of Civil Service Reform." Some of the recent appointees, to say the least, are not known to be devoted to such principles. One chairman of the Commission was guilty of "raising" the examination questions. But of such dishonesty there has been little. The chief difficulty comes from the fact that the administration is highly centralized and the city has been unfortunate in its selection of a Mayor. The three members of the present Commission are appointees of the present Mayor and their work, as does that of most of the departments of the city government, expresses his will. He has attempted, with much success, to build up a strong Union Labor Party, with himself in charge of its machine. In furthering this plan wherever possible he has used the spoils of office, evading the spirit or violating the letter of the Charter. This attitude has licensed his lieutenants in charge of departments to do the same thing. This very unsatisfactory administration of the Charter provisions explains the fact that at present some four hundred non-civil service appointees are on the city's pay-roll where civil service appointees are required by law.

Sixty day appointments may be made in exceptional cases with the consent of the Civil Service Commission. Many of these are made without any good cause and without the knowledge of the Civil Service Commission. The salary warrants are audited and paid contrary to law. Recently the Health Department was reorganized by abolishing places held by civil service men for the most part and creating new places with practically the same duties but bearing different names, which when created were filled without regard to merit principles. The pretext was economy; the reason was so-called political necessity, as the

discharged employees were informed. It is suggested that inasmuch as a part of this action was perhaps legal, the Civil Service classification should be on a broader basis so that evasion would not be possible by merely changing names or duties slightly. The Civil Service Commission has disapproved of some of the appointments mentioned but the new appointees are being retained. The auditor has audited their salary warrants because he had made a hundred and fifty appointments without regard to Charter provisions and audited the warrants of these employees, so that he dared not do otherwise. Any further payments, however, have been enjoined at the request of the Merchants' Association. Still more recently illegal appointments have been made in the Department of Elections and a reorganization of the Board of Public Works was prevented only by threatened injunction proceedings. Whether the Civil Service provisions of the Charter shall retain any meaning at all depends upon the outcome of the injunction proceedings now before the courts.

In the long run Civil Service principles will obtain in the government of San Francisco for there is no doubt that the great majority of the electors heartily favor them. But administrative centralization is making it possible for the time being for the will of the people to remain without effect. The situation is causing the first questionings and feelings of doubt to arise in the minds of the electors whether the policy of centralizing so much power in the hands of the Mayor is after all a good one.

Bond Issue.—Another matter of interest is the recently authorized bond issue. The electors of San Francisco by a referendum vote, September 29, 1903, authorized the issue and sale of $17,771,000 of 3½ per cent, forty year bonds for the making of much-needed improvements; $1,000,000 is for erecting a new city and county hospital; $7,250,000 for constructing a new sewer system; $3,595,000 for building new school houses and providing play grounds; $1,621,000 for repairing and improving accepted streets; $697,000 for building a new county jail and improving the Hall of Justice; $1,647,000 for purchasing a site and erecting a library building thereon; $741,000 for purchasing land for children's playgrounds; and $1,220,000 for acquiring lands for various parks.

San Francisco has been very negligent in the matter of public improvements. Taken as a whole the expense for construction and repair of streets and school buildings regularly recurs and should have been met for the most part from the ordinary revenues. But the ordinary revenues have been small and insufficient. The tax rate for all city purposes except for paying interest and sinking fund charges and for maintaining parks, is limited to one per cent. or to one dollar on the hundred. As a consequence the tax rate is the lowest met with in the large cities of the country with which San Francisco may be properly compared. Little attention has been given to developing additional sources of revenue. Few loans have been made, the bonded debt being but $250,000 or about one-half of one per cent. of the assessed valuation of property when the present bond issue was authorized. The city has followed a pennywise policy in spending for improvements and so has little in the way of public property.

The present City and County Hospital is said to be among the worst, if

not the worst, in the world. In 1901 the School Department had seven brick and sixty-four wooden buildings and rented twenty-seven more. At present many of these are in a very unsanitary condition and it may be necessary to close some of them at once. It is planned to build twenty-seven new school houses with the borrowed funds. The so-called sewer systems, covering but a part of the city, is a patchwork beginning nowhere and leading nowhere in particular. The contemplated system involves the construction of one hundred and twenty miles of new sewers connected with two intercepting sewers emptying into the Bay at a distance from the shore such as will render the city's waste harmless. But few of the streets are well paved. At present there are two jails, neither of which is good, making the administration both inefficient and expensive. They are to be replaced by one modern institution. The Public Library, the largest west of the Missouri River, is poorly housed in the City Hall. The city now has a park area of some 1,400 acres. The contemplated purchases will add greatly to this and will make possible the creation of parks readily accessible to those living in the older and more crowded sections of the city.

By incurring this debt of more than seventeen and three-quarters millions, San Francisco plans to provide herself with the ordinary public conveniences of a progressive city. Though the Charter declares it to be the purpose of the city to municipalize all the public utilities, at present she owns none. She is one of the few large cities of the United States still dependent upon a private corporation for her water supply. Possibly a municipal system will be established in the not distant future. If this is done it will add greatly to the city's debt.

Boston.—*Percentage of Voters.*[8] The daily papers are filled with outcries against corruption in our great cities, whole columns being given over to the description of vice "which stalks abroad at noonday" until we are convinced that whatever there is of disrepute in the world must be within the cities. Magazines and publications of various sorts ascribe this state of affairs to a lack of civic patriotism and a loss of civic pride. Whatever this may mean certain it is that there is a most surprising indifference exhibited on the part of the voters measured by the number of ballots cast in the city elections of Boston. At the Boston municipal election of December 15, 1903, the actual vote was but 57.70 per cent. of the possible vote, the highest percentage of votes 69.91 being cast for the Mayor, the lowest 51.69 for Aldermen. Of the registered voters only 72.66 per cent. voted. The percentage of registered voters who voted at the municipal elections for five years preceding is as follows:

1899	1900	1901	1902	1903
79.94	70.80	79.94	60.03	72.66

The percentage of the actual to the possible vote for the same period:

1899	1900	1901	1902	1903
69.10	61.45	65.31	52.70	57.70

[8] Communication of Ward Wright Pierson, University of Pennsylvania.

This means that considerably less than two-thirds of the voters of Boston had sufficient interest in municipal affairs to spend the time to go to the polls.

Wisconsin and Milwaukee.—*The Liquor Question.*[9] The Wisconsin statutes provide that "each town board, village board and common council" may license any proper person to sell liquor, the amount of the payment for such license (subject to the power of the local electors to increase the same within certain limits) to be $100.00 in towns containing no city or village within their boundaries, provided there be a population of five hundred or more. In all cities, villages and "other towns" the license shall be $200.00, subject to the same local power to increase it. No such license shall be granted to the owner or keeper of a house of prostitution. The electors of cities, villages and towns may hold special elections at a specified time to fix the amount of saloon licenses, provided no other question is submitted to the electors at such election. In towns, cities and villages where the license is generally fixed by statute at $100.00, it may be increased by said electors to either $250.00 or $400.00; and in localities where the general statute license is $200.00, it may be increased to either $350.00 or $500.00. The license has never been raised above the statutory amount in Milwaukee.

Before receiving his license every applicant is required to file a bond to the State in the sum of $500.00 with proper sureties and approval, conditioned that the applicant shall keep an orderly house, prevent gambling, refuse to sell liquor to minors or intoxicated persons, and that he shall pay all damages provided for in Section 1650. Said section grants specific right of action to any person, suffering in property or means of support by reason of the sale of liquor to minors or intoxicated persons. Any unlicensed saloonkeeper who sells liquor to such persons is guilty of a misdemeanor, and punishable on conviction by a fine of not less than $50.00 nor more than $100.00 with costs; or by imprisonment for not less than three nor more than six months. A subsequent conviction involves both fine and imprisonment. In case any person, by reason of excessive drinking, wastes or lessens his estate, licensed liquor dealers may be forbidden, by his wife or specified officials or both, to sell liquor to such person for the space of one year.

There is a penalty of not less than $5.00 nor more than $50.00 for selling liquors to minors, and upon a written complaint, duly filed, by any resident of any town, village or city, that any licensed person therein keeps a disorderly house, permits gambling or sells liquor to minors without the written order of the parents or guardians of such minors, or sells liquor to intoxicated persons or habitual drunkards, the proper board may, upon a hearing, revoke the license. Section 1565a of the Statutes provides that " Whenever a number of the qualified electors of any town, village or city, equal to or more than 10 per centum of the number of votes cast therein for governor at the last general election, shall present to the clerk thereof a petition in writing, signed by them, praying that the electors thereof may have submitted to them the question, whether or not any person shall be licensed to deal or traffic in liquor, such clerk shall forthwith

[9] Communication of John A. Butler, Esq., Milwaukee, Wis.

make an order providing that such question shall be so submitted on the first Tuesday of April next succeeding the date of such order."

This brief *resumé* of the State laws of Wisconsin gives a fair and accurate idea of their spirit. The degree of their enforcement naturally depends upon local public opinion. That they are not abused in any excessive degree is indicated by the absence of conspicuous public discussion in the newspapers or otherwise, and the general prosperity and good order which characterizes the State.

The City Charter of Milwaukee, the largest city of the State, with a population of 326,000, gives the Common Council authority to regulate all places where liquors are sold, and to regulate and grade the amount to be paid for licenses, in proportion to the amount dealt in or vended; to prescribe the duration of such licenses; and to restrain the sale of liquor by anyone not duly licensed by the Common Council, provided the amount charged for any license be not less than the minimum, nor more than the maximum required by the State laws. No license shall be transferrable, or be granted for less than six months. There are no specific hours for closing saloons in Milwaukee, but not more than a half dozen saloons are open all night. Saloons are open all day Sunday. All saloonkeepers are required to give bonds as required by Section 1549 of the Statutes. Minors are undoubtedly admitted to saloons, but they are not visited by them to a noticeable extent, and there is probably no American city of the same size which, on the whole, is so free from drunkenness and immorality as Milwaukee. A drunken man is rarely seen on the streets, and public safety is unusually great, owing to an admirable police force on a Civil Service basis, and to the orderly character of the population. The present city administration is, unfortunately, favorable to a "wide-open town," and the Common Council has granted some licenses against the energetic protests of the Chief of Police. There are a few saloonkeepers in the Council, fewer than formerly, when a half dozen or more played an unsavory role in politics; but, speaking generally, the "saloon in politics" is less conspicuous in Milwaukee than elsewhere. The best way to eliminate it, in my opinion, would be to require the election of aldermen at large, instead of from wards, enforce a high license, establish a proportion between the number of saloons and the population and give the power to grant or revoke licenses to the executive head of the city government rather than a Council Committee.

Colorado Springs.—*The Liquor Question.*[10] The founders of Colorado Springs, desiring to make it in some sense a model city, provided at the beginning for the exclusion of liquor saloons. To this day, every warranty deed for the transference of property contains a clause which stipulates "that intoxicating liquors shall never be manufactured, sold or otherwise disposed of, as a beverage, in any place of public resort in or upon the premises hereby granted, or any part thereof; and it is herein and hereby expressly reserved . . . . that in case any of the above conditions concerning intoxicating liquors are broken by said . . . .

[10] Contributed by T. D. A. Cockerell, Esq.

then this deed shall become null and void, and all right, title and interest of, in and to the premises hereby conveyed shall revert," etc.

Although ordinary saloons are effectually excluded by the above provisions, it is not found that the liquor traffic is altogether abolished. The drug stores are licensed to sell liquor in quantities of not less than one quart, not to be consumed on the premises. As might be expected, they do not always keep the law, and as a matter of fact several of them have continually and flagrantly violated it. The city officials have been lax in this matter, and during the present year the clergy and others have felt it their duty to organize an anti-saloon league and take active measures to bring the culprits to book. As a result, several druggists have been tried and convicted, and the practices complained of have almost or quite ceased. The time for the removal of licenses was an opportune one for raising the whole question of the sale of liquor in the city, and enough pressure was brought to bear on the City Council to prevent the granting of new licenses to certain druggists who have been proved in the courts to have grossly violated the law. It is not supposed, however, that a permanent victory has been won; on the contrary, it is certain that things will return to their former condition whenever the interest created through the efforts of a comparatively small band of reformers shall have died out. The greatest obstacle in the way of those who stand for decency is the apathy of the nominally decent elements in the community.

Unfortunately, the drug stores are not the only offenders. Clubs, high and low, retail liquor to their members, and it is extremely difficult to reach them by any process of law. It is understood that the suppression of the drug store traffic has led to an increase in the number of clubs, one or more of which have an initiation fee of only twenty-five cents!

All things considered, there can be no doubt that Colorado Springs is greatly benefited by its liquor ordinances; but on the other hand continual vigilance is required to prevent their being rendered meaningless by evasions of the law.

District of Columbia.—*Report of the Commissioners.*[11] Of the large number of activities covered in the Annual Report of the Commissioners of the District of Columbia, 1903, three are of particular interest—Finance, Education and Health.

Finances.—The report shows the total expenditure for the year, exclusive of those for the water department and expenditures on account of special and trust funds were $9,088,554.67. This amount embraced $9,051,980.09 appropriated for the fiscal year 1903 and prior years, and $36,754.58 appropriated for the fiscal year 1904. During the year the indebtedness of the District for advances from the United States Treasury was reduced from $1,759,238.34 to $1,653,517.51. The total indebtedness June 30, 1903, was $14,877,147.69.

The Commissioners repeat their recommendation that the Secretary of the Treasury be authorized to make advances from the United States funds to enable the District to meet its share of the cost of the extraordinary municipal improvements—filtration plant, sewage disposal system, the District Building

[11] Communication of Ward Wright Pierson, University of Pennsylvania.

of which the District of Columbia is required to pay half the cost—the advances to be repaid by the District in installments with interest.

Education.—The public schools of the District were never before so well housed and equipped. The total number of pupils enrolled for the year was 48,745, an increase of 0.64 per cent.; of these 32,987 were white and 15,758 were colored; 1,371 teachers were employed of whom 925 were white and 446 colored.

Death Rate.—During the calendar year 1902 the lowest death rate, 19.99 per thousand, for ten years with one exception (1897—19.79) was reached. The average for the decade was 21.22; for whites, 17.29; for colored persons, 29.13. The most potent factor in the high death rate of colored persons is the mortality of children under one year representing the death of between 400 and 450 out of every 1,000 colored children born.

Drainage.—During the year 16½ miles of sewers were constructed and eleven miles of new water mains laid. 1,448 additional buildings were connected with the public water system, making the present number 49,929. 255 new meters were installed, the present number being 1,748.

Pennsylvania.—*Report of the Executive Committee of the Civil Service Reform Association.*[12] The increased efficiency of the individual in the classified service of the United States, leads at once to the conclusion that the application of the principles of the merit system in the selection of clerks and other employees in all the municipalities and the State at large, would produce a far better force than is at present secured under the spoils system. With this in view the Civil Service Reform Association of Pennsylvania has set itself the task of educating public opinion to a degree that the establishment of the merit system will be demanded of the Legislature in no uncertain way.

Although the City Charter of Philadelphia provides that the appointment of "all officers, clerks and employees" with certain exceptions shall be made in pursuance of "rules and regulations" providing for the ascertainment of the comparative fitness of all applicants for appointment or promotion by a systematic, open and competitive examination of such applicants, hitherto the public has believed that no candidate—no matter how high his mark could secure an appointment unless he possessed great political influence. But through the efforts of the Executive Committee of the Association the veil which shrouded the administration of the Civil Service Bureau during the recent city administration has been lifted in a measure and representatives of the Association admitted to the municipal civil service examinations.

While much of the Twenty-third Annual Report is given over to a discussion of cases, it shows clearly the difficulties to be overcome and presents a method of correcting existing faults. The Committee of the Association on Legislation has prepared a draft of an "Act to Regulate and Improve the Civil Service of the Commonwealth of Pennsylvania." The proposed bill provides for the appointment of a State Commissioner and the establishment of the "Competi-

[12] Communication of Ward Wright Pierson, University of Pennsylvania.

tive System" for selecting subordinate officials in the Service of the State and its principal cities.

FOREIGN CITIES.

Paris.—*Prostitution.*[13] A very interesting report upon the question of prostitution has recently been presented to the Municipal Council of Paris, France, by a committee of that body. The report is in three sections: (1) A General Survey by M. Henri Turst. (2) Brothels and Houses of Assignation by M. Adrien Mithouard. (3) Regulation from an Administrative View-point by Henri Turst. The various reports give a good historical account of the efforts to regulate prostitution in France, the various methods suggested and used, the effect of police control, the results of medical inspection and detailed discussion of the present situation.

The Committee thinks that the existing plan is largely a failure. (1) There have been some bad mistakes made by the police in arresting reputable women. (2) The greater number of prostitutes are not enrolled. Hence (3) the medical examinations cannot accomplish their purpose since so many avoid them, nor are they sufficiently thorough. (4) There is a question whether police intervention is really legal.

It is suggested that certain changes are necessary for two reasons:

1. Prostitution is not a crime (*délit*), hence unless the public peace and order are offended the police should have nothing to do with prostitution.

2. Syphilis should not cause punishment any more than any other disease but like other communicable diseases should be safeguarded for the sake of the public health. To accomplish this it is recommended (1) Free consultations should be given in all hospitals and dispensaries subsidized by the city of Paris. (2) Substitution of treatment in general hospitals for that in the special institutions now existing.

The Committee believes that in suggesting these important reforms it "substitutes for the arbitrary régime which is too severe a system both legal and inspired by a desire to exercise pity in a field hitherto ruled by brutality and egoism." "We believe that we have proposed a scheme for safeguarding at the same time individual liberty and the rights of society."

To make certain that advantage will be taken of the treatment offered by hospitals the transmission of syphilis is to be made a criminal offense for both men and women. Such legislation now exists in Norway.

Although few in America will welcome the suggestion to make prostitution a matter to be dealt with solely on sanitary grounds the discussions and proposals are worthy of careful consideration. The chief papers are in the Rapports, Conseil Municipal de Paris, 1904, No. 3; and a supplementary discussion concerning foreign conditions chiefly in England and Italy in No. 7.

[13] Communication of Dr. Carl Kelsey, University of Pennsylvania.

II. DEPARTMENT OF PHILANTHROPY, CHARITIES AND SOCIAL PROBLEMS

Training for Social Service.—The constant demand for trained workers in social service is an encouraging indication of the impression which organized charitable effort has made upon the public. This new profession has justified itself in action, and the most hopeful thing about it is that the workers who have made the administration of charities and corrections their profession, are themselves jealous and zealous for the uplifting of the professional standard, and the extension of special educational requirements. As a natural result, new plans are constantly being made to meet the demand. The Summer School of Philanthropy has been conducted by the New York Charity Organization Society during this summer. Henceforth there will be a winter session, from October to June, under the same auspices. Dr. E. T. Devine is to be the director, assisted by Mrs. Anna Garlin Spencer and Alexander Johnson. Students of the school will also have the benefit of the Extension Courses to be given under the auspices of the Committee on Social Settlements and Allied Work of the Faculty of Columbia University, in co-operation with the Association of Neighborhood Workers. In addition, the school sessions will be arranged in such a manner as to allow qualified students to take advantage of such special courses at Columbia University, including Barnard and Teachers' Colleges as are most important for their training in the science and art of social service.

A training center for Social Workers was started last year, under the auspices of the University of Chicago, and the University has just announced the establishment of a College of Political and Social Science, which is to be under the general supervision of the faculty of the divinity school.

The School for Social Workers which has been established in Boston by the co-operation of Simmons College and Harvard University, will open in October, under the direction of Dr. Jeffrey R. Brackett, assisted by Miss Zilpha D. Smith. The topics which are included in the programme of instructions cover the whole field of "charity, corrections, neighborhood uplift, and kindred forms of social service;" but no mention is made of political economy, or political science or history, or psychology, all of which are required courses in the Chicago college. With these new and useful developments for the equipment of ministers and others, the theological seminaries will have to look to their laurels, unless they, too, are led to see the light.

Poor Relief in Indiana.—The March number of the *Indiana Bulletin*, which is published by the Board of State Charities, contains a valuable study of official outdoor relief in Indiana. The township trustees in the State are required by law to make full reports to the State Board of Charities. There are 1,015 of these townships and the total number of persons receiving aid in 1903 was 40,012. The report gives the comparisons by years. The Indiana Board was created in 1890. The value of poor relief which was given at that time was $560,232, but

it was impossible to ascertain the number of persons who were aided. The first time nearly complete figures were obtained was for the year 1895—$630,168. In 1896–97, 82,235 persons received aid. The total value of aid given was $388,343.67, an average of $4.72 to each person aided. Through the influence of the State Board of Charities outdoor relief has been systematized and pauperism checked, with the result that last year the number of persons aided was less than half the number in 1896–97. The cost of relief given in 1903 was $245,745.82, being an average of $6.14 per capita, which is perhaps an indication that the relief, while of a temporary nature, was more adequate in 1903 than in previous years.

It was popularly supposed that the decrease in the amount of relief given to the poor by the township trustees would result in a large increase in the population of the poor asylums. The result shows that there not only has not been an increase, but there has been a decrease, both actually and proportionately.

The population of the poor asylums August 31, 1890, was 3,264; on August 31, 1900, 3,096; a decrease of 168, or 5 per cent. Since 1900 there has been a further reduction of four per cent. in the population of the poor asylums, the number present on August 31, 1903, being 2,962, or 134 less than on the same day in 1900. The total reduction, therefore, from 1890 to the present date, is 9 per cent. Compare these figures with the population of the State. In 1890 this was 2,192,404; in 1900, 2,516,462; an increase of 14 per cent.

Six years ago a law was enacted, presumably under the inspiration of the State Board's reports, which placed upon each township the burden of its own poor relief. A study of the subsequent reports shows a very notable decrease in the number of high taxed levies and a corresponding increase in the number of townships which made no levies or a very low one. Under the compulsory education law of Indiana, children under 16 may be given assistance to enable them to attend school. Of the 40,012 persons who received aid in 1903, 17,848 were children under 16 years of age.

The Report of the Oregon State Conference of Charities and Corrections, which was held at Portland last March, takes high rank among documents of this character. Governor Chamberlin, in the course of a thoughtful address, commended the efforts to organize a Prisoners' Aid Society. This was accomplished during the Conference under the Presidency of Dr. E. P. Hill. Mr. James N. Strong delivered an inspiring address on the "March of Reform," in the course of which he made the following statement:

> "The managements of our State Prisons and insane asylums have in the past years been strictly political. Now comes Governor Chamberlin, and in an announcement of no little importance, names a warden for the prison, and tells him in so many words that he will be held strictly responsible for its management, and that he, the Governor, to preserve his own freedom, as the representative of the people to criticise, will not even suggest the names of sub-employees. It is not a law nor is it binding on future Governors, but it is an announcement that responds to and helps healthy public opinion, and that in the end makes law that no future Governor, however politically venal he may be, will dare to disregard."

Among the resolutions passed by the Congress was one favoring separate boards of supervision and control of the State Correctional and Educational institutions, the membership of which was to include both men and women. The Conference instructed its chairman to appoint special committees to examine

and visit all of the State Institutions for criminals and dependents, and report their condition to the conference of 1904. The needs of the State for proper provision for defectives and the inadequacy of probation and truancy laws were set forth frankly.

The New York Fiscal Supervisor of State Charities has recently published his report for the year ending September 30, 1903. This department was created by the Legislature of 1902 at the instance of Governor Odell, for the avowed purpose of better regulating the finances of the State institutions and effecting economies. Mr. H. H. Bender, the supervisor, declares that his main endeavor has been to see that the wards of the State should be better clothed and better fed than hitherto without increasing the cost, and that the question of effecting a saving of money he has regarded of secondary importance. By systematizing the purchase of supplies, he claims that the average per capita cost has been reduced from $168.97 to $163.54, a saving of $5.43, and calls attention to the fact that this had been done in a year when the prices of all kinds of provisions were unusually high, and the coal strike had raised the price of coal to unprecedented figures.

Prior to Mr. Bender's appointment, each of the 15 institutions which are now under his fiscal direction bought its own supplies separately, and while it was limited as to price to the lowest market quotations of its vicinity, it was clearly apparent that the supplies could be bought in the open market for all institutions at lower prices. This was on the theory, that as the total population of the institutions was over 8,000 any bidder could afford to place a lower figure on goods sufficient in quantity to supply this number, than upon supplies for a single institution with a population of from 200 to 500. Mr. Bender secured statistics showing the quantities of the leading staple articles in use in the different institutions, which were to serve as a basis of calculation for bidders, and a committee of six superintendents of institutions was appointed to select a list of articles which could profitably be purchased by joint contract. The committee appears to have done its work with great thoroughness and care, and decided that the following articles could be bought jointly: graham flour, hominy, macaroni, rice, coffee, evaporated apples, raisins, laundry starch, salt codfish, mackerel, tea, vinegar, baking powder, crackers, evaporated peaches, prunes, currants and butter.

They found that among the commodities that cannot profitably be purchased by joint contract are: flour, meats and milk.

Mr. Bender expects to effect a great saving in the cost of heating by equipping a number of institutions with coal-saving devices.

In Mr. Bender's report he is clear and frank, and thoroughly business like, although he may claim a little too much from a single year's experience.

The 31st Annual Session of the National Conference of Charities and Correction at Portland, Maine, which closed June 22, was characterized by a very large attendance of delegates from twenty-eight States and from Canada, by an unusually brilliant series of papers on a great variety of topics, and by an unprecedented local interest in all its proceedings. On several occasions the audience

numbered more than one thousand persons. It reflects great credit on the executive ability of the President for 1903–4, Dr. Jeffrey R. Brackett, formerly of Baltimore, but recently chosen to serve as head of the new training school at Boston for charity workers, organized by Harvard University and Simmons College for Women.

Among the names of those present are many which are well known to charity workers throughout the United States: among them may be mentioned Dr. Charles R. Henderson, of Chicago University; Prof. Graham Taylor, of Chicago Commons; Miss Jane Addams, of Hull House, Chicago; Mr. Robert W. de Forest, of the New York Charity Organization Society; Mr. Homer Folks, ex-Commissioner of Charities of the city of New York; Mrs. Florence Kelley, of the Consumers' League; Mrs. Anna Garlin Spencer, of the New York Winter School of Philanthropy; Mrs. Vladimir Simkhovitch, of Greenwich House, New York; Mr. Robert Treat Paine, and Mr. Joseph Lee, of Boston; Dr. George F. Keene, of Howard, R. I.; the venerable Gen. Roeliff Brinkerhoff, of Ohio; Judge Benjamin B. Lindsey, of Denver; Mr. F. H. Nibecker, of Philadelphia; Mr. Hugh F. Fox, of New Jersey, and many others of equal ability and reputation. Dr. Charlton T. Lewis, of New York and New Jersey, was to have been there, but died a few weeks before the meeting. The paper he had prepared was read by Dr. F. H. Wines and heard with peculiar and tender interest by a large audience. Dr. Henderson described it as a voice from the grave, or rather, as a voice from heaven. Mr. F. B. Sanborn, of Concord, Mass., Dr. Wines, of New Jersey, and Rev. John L. Milligan, of Allegheny, were the only three in attendance who have been with the movement from the beginning; they were at the original Cincinnati Prison Congress of 1870, organized by Dr. E. C. Wines and presided over by Rutherford B. Hayes, then Governor of Ohio.

It may be said of this Conference that the papers and discussions were at once more scientific, more practical and more spiritual and idealistic than at any former session; and the published volume will form a noble addition to the literature of philanthropy. It may seem invidious to single out certain addresses for special praise, but it is difficult to refrain from naming the opening address by President Brackett, the annual conference sermon by Rev. Dr. Crothers, of Cambridge, Mass., Dr. Keene's lucid and profoundly scientific paper on "The Genesis of the Defective"—Mr. Sanborn remarked that we are more interested in his "Exodus;" the exquisite essay by Dr. Lewis on "The Principle of Probation," which is a literary gem as well as a masterpiece of philosophic insight; Mrs. Simkhovitch's elaborate and exhaustive account of "The Public School as a Social Center," admirably supplemented by Mr. Lee's analysis of boy nature, in his talk on "Playgrounds as a Part of the Public School System;" Mr. Nibecker's review of the reform school movement in America; Dr. Henderson's history of the origin and growth of the juvenile court; and the inspiring paper by Mr. Francis H. McLean, of Chicago, on "Ideals and Methods of Co-operation." It is proper to mention also the address on "The Education of the Blind," by Mr. Campbell of Boston, which was illustrated by stereopticon views, including some moving pictures. The most unsatisfactory session was that on State Super-

vision and Administration, because the papers read, in favor of State boards of control, consumed so much time as to leave very little for any opposing expression of opinion from the floor, and the proceedings therefore fail to represent the prevailing sense of the Conference, so that they will, when published, be misleading as guides to political action by the States.

The principal social events were a sail through Casco Bay and a reception to the ladies given by Mrs. George S. Hunt. To these must be added, as something quite out of the common, a dinner at Riverton, at which Sheriff Pennell was the host. It was attended by about thirty leading citizens—judges, lawyers, clergymen and men of affairs; and its purpose was to interest them in the prison question especially in that phase of it represented by probation and the juvenile court. Short addresses were made by Mr. Sanborn, on the history of prison reforms; by Mr. Warren F. Spalding, secretary of the Massachusetts Prison Association, on its present state of evolution; by Dr. Wines, on its outlook and promise; and by Mr. Lucius C. Storrs, of Michigan, on the need for a State board of charities in Maine.

The central thought of all the talk on the prison question (and much attention was paid it at Portland) was that the retributory or penal theory of the criminal law must sooner or later give way to that of the reformation of the convict; that reformation is an educational process; and that the criminal should be treated, as far as practicable, to quote Mr. Brockway's happy phrase, "in the open." Among the most remarkable utterances on this subject was the account given by Mrs. Kate G. Hayman, police matron at Louisville, Ky., of the work begun and planned for the future in the female department of the Louisville jail, which is to be made a social center for reformatory influence over women with criminal impulses and tendencies, in the nature of a social settlement; an entirely novel conception of the proper function of a prison, and a real advance step in practical criminology. It is also very noticeable that the conception of reformatory work with delinquent children as an educational process has taken deep hold on the officers of reform and industrial schools, so that at Portland they effected an independent organization, of which Mr. Nibecker was chosen President, to be known as the Educational Association, having special reference to backward, truant and criminally inclined youth of both sexes. This was the outcome of a meeting which convened two days in advance of the Conference, and was very helpful to all who took part in it. Another advance meeting was that of "visiting" nurses. There is a national organization of "trained" nurses, but that is a different affair. The visiting nurses will meet again next year as a section of the Conference. The session of 1905 will be at Portland, Oregon. Some objection to this choice was made by delegates from the Middle West, but it was the fifth time that Oregon had asked for the Conference, and the selection was finally assented to by a unanimous vote, in deference to the needs as well as the desire of the Pacific Coast.

The National Conference of Charities is the only organization in the world, so far as known, which claims and celebrates three distinct birthdays. The seed was planted at Madison, Wisconsin, in 1872, when the newly created State boards

of Wisconsin and Illinois first met for mutual exchange of experiences and views. They afterward invited the Michigan Board to meet with them in Chicago. Then, in 1874, all of these boards, numbering nine, then existing met, by invitation of Mr. Sanborn, with the Social Science Association, at New York. Finally, in 1879, at Chicago, the Conference held its first separate session and effected an independent organization. It was originally an almost purely official body, representing State governments. For a number of years it boasted that it was a body without a constitution, without rules, without principles, and without dues —the freest association upon earth, a forum for free discussion, and nothing more. In order that the members and officers of the State boards might better qualify themselves for the discharge of their legal responsibilities, the superintendents of State charitable and correctional institutions were encouraged to attend and to read papers on the care and treatment of the insane, the idiotic, the deaf, the blind, paupers, criminals, juvenile offenders and other special classes in which the States take a paternal interest. The question at the bottom of all the discussions was that of the duty of the State toward the victims of poverty, crime and misfortune. Light on this important question was also sought from officials of municipal and private charitable institutions of similar nature and aims.

The meeting at Louisville, in 1883, was the first at which a report was made by a standing committee on charity organizations in cities. This incident marked the beginning of a new departure in the policy of the Conference, the ultimate effect of which was not at first apparent. The non-official element in its composition was thus recognized, but it was not until the year 1895, at New Haven, that any one was elected to serve as its President, who was not a member or secretary of a State board. This honor belongs to Mr. Robert Treat Paine, of Boston, who was at the head of the Associated Charities of that city. With the rapid growth of the movement for the establishment of organized charity in cities and towns, there came a great and increasing influx of persons but slightly and incidentally interested in the original purpose of the Conference, whose main desire in attending its sessions was to profit by their mutual experience in a new but narrower field of philanthropic effort. Their numbers multiplied so fast that they were soon able to outvote the original membership and shape the organization to their own ends. They (and others) demanded the division of the body into sectional meetings, in order to give them more time for their own problems. A critical review of the annual reports of the committees on organization will show the great difference between the earlier and the later programmes adopted; the creation of sections on needy families in their homes, on the work of social settlements, on the proper division of work between public and private charity, on tenement house reform, on child labor and truancy, on neighborhood improvement, on fresh air summer outings, on boys' and girls' clubs, on recreation as a means of developing the child, on playgrounds as a part of the public school system, municipal lodging houses, the municipal regulation of newsboys and bootblacks, and the like. Some of these questions relate, it is true, to the work of institutions and to subjects which demand legislative action; but their primary interest is for private charity workers, dealing with individuals, one by one and

studying local municipal conditions rather than the condition and needs of the entire body politic.

The departure to which reference has been made was natural and inevitable. The Conference exists in order to assist in the accomplishment of three leading aims: the increase of the sum of knowledge, philanthropic and sociological, by the accumulation of facts and the development by scientific methods of sound theories based on actual observation and experience; the education of its own membership; and the exertion of a healthy, invigorating influence upon public opinion, sentiment and action. The representatives of private charities, particularly of the associated charities, are as deeply interested in these as are public officials. They are equally in need of such education and stimulus as the Conference imparts. They are able to contribute to the aggregate result information and suggestions of the highest value, of a character and along lines, especially the line of preventive effort, not so readily or generally accessible to the representatives of institutions, public or private. This is a case where neither element in the organization can say to the other, "I have no need of thee."

It must be admitted, nevertheless, that in these remarks a possible line of cleavage is indicated, which marks a danger point. At Portland, the conviction was widely and strongly expressed that the pendulum has swung too far in one direction, and that a reaction is desirable, if not essential—a partial return to first principles. The suggestion that the founders of the Conference, if dissatisfied with its present drift, could secede and organize anew, though courteously made, provoked a certain mild resentment. The older, if not the wiser members, recalling the years when the younger men and women were still in their pinafores, if not in their cradles, declare that "the former times were better than these." They think that, if the programme has gained in breadth, it has lost in depth, in perspective and in true proportion. The larger part of the charitable and correctional work in this country is in the hands of the State, and the State collects the funds from all the people and serves all the people. The classes for which the State cares are typical. Compared with the superintendent of a State institution, who is a professional expert, the average private charity worker is an amateur. And the larger part of private charitable work is done in and by institutions, to whose aggregate population the total number of "cases" handled in any year by the associated charities bears an almost insignificant ratio. The pioneers in this movement accordingly lament the loss from the Conference of so many representatives of State boards, and so many experienced and skilled superintendents of institutions, driven away from it, as they think, because of the undue prominence given to subjects to which they sustain no definite and close relation. The municipal problem may enlist a larger number of workers, but the results attained do not affect so large a percentage of the population at large, including the rural with the civic; nor are they so far reaching in their bearing upon the future destiny of the nation.

Dr. Wines, in his speech of farewell, on the last evening, referring to this divergence of views, compared the Conference to a vessel rolling in mid-ocean, but staunch and powerful, always righting itself and sure to arrive in safety at

its destined but far distant port. He also called attention to the fact that, when the Conference was organized only a third of a century ago, there was not in the United States a charity organization society, a social settlement, a modern reformatory prison, juvenile courts, a probation officer, a training school for charity workers, nor even a chair of sociology in any institution of learning. The indeterminate sentence, graded prisons, and the parole were still in the State described in the words, "And Jacob dreamed a dream." All of our insane hospitals were constructed and conducted on the congregate plan. The movement for special training of the idiotic and feeble-minded was in its infancy, and little progress had been made in securing the adoption of the placing-out system in the care of destitute and neglected children. "The Conference," he said, "has not laid all these eggs, but it is the incubator in which they were hatched." He likened it to a power-house, supplying force to move the car of progress on its way.

And all this has been done by quiet and unostentatious methods. One principle has governed the body from the outset. It makes no deliverances upon any question whatever, preferring to be all-inclusive rather than dogmatic and dictatorial. It recommends no legislation. Every member says what he thinks; it is printed, and goes for whatever it may be worth. The consensus of opinion may be inferred from reading the debates. So firmly is this principle inwrought into the organization that the members refused to consent to an apparently harmless little resolution, in response to a communication from the United States Census office, authorizing the appointment of a committee of five to confer with the Director of the Census as to the statistical information which it is desired to procure touching the classes which the Conference seeks to benefit, and the amendments to the Census Act necessary to obtain it. The parliamentary squabble over this resolution was most amazing and absurd.

The President for the ensuing year is the Rev. Dr. Samuel G. Smith, of St. Paul, who has been President of the State Board of Charities, President of the Associated Charities, and is now Professor of Sociology in the State University of Minnesota. Mr. Joseph P. Byers, the former Secretary, now warden of the Eastern Penitentiary of Pennsylvania, felt himself under obligations to resign that office, and is succeeded by Mr. Alexander Johnson, who has also had experience both in the service of the State board of Indiana and of the Chicago Bureau of Charities, as well as at the head of a large State institution. These gentlemen should be able, and no doubt will be able, to adjust and harmonize all pending disagreements, which at worst amount in fact to no more than a slight rift in the lute.

Women's Organizations.—"No person," says Mr. Samuelson, "who has followed the philanthropic movement of the last few years can have failed to be struck with the increase of woman's activity, both private and public, in furtherance of every laudable, social enterprise." [1] The essential feature in this activity, however, is the fact that it is no longer limited to assisting the

[1] Samuelson, James Ed.: "Civilization of Our Day," p. 195.

outcasts of society, nor does it exclusively take the form of church charity, although the church still remains the great receptacle of woman's munificence.

Women of the same or different social classes, seem to realize that they do have interests as well as duties in common and that associated effort is indispensable in order to secure the best results. Accordingly, organizations of all sorts and descriptions are formed so that there is hardly a woman who is not in some way connected with an association, either as contributor or recipient. Some of these organizations have already developed into strong bodies. The Woman's Christian Temperance Union, for example, has a membership of 200,000. Its building in Chicago, where the headquarters are, cost $1,200,000. It has its own publishing house which prepares and issues all kinds of publications for the advancement of the objects of the society. Its official paper, *The Union Signal*, has a subscription list of 80,000. "It has pushed through the legislatures of thirty-seven States and Territories the laws that now compel, in all public schools, instruction in the nature and effect of alcoholic drinks and narcotics." [2] Sixteen million children are said to have been brought under this instruction.[3] In short, the organization comprises five distinct departments, "Preventive, Educational, Evangelistic, Social and Legal," all of them are strenuously attended to. Of late the society has also identified itself with the woman's suffrage movement and is rendering valiant service to the "cause."

The Young Women's Christian Association is another organization whose branches are spreading all over Christendom. The work this society does here may be seen in the following programme of the New York Women's Christian Association founded in 1872: [4]

I. The Bible class.

II. Free concerts, lectures, readings, etc.

III. Free classes for instruction in writing, commercial arithmetic, bookkeeping, business training, phonography, typewriting, retouching photo-negatives, photo-color, mechanical and free hand drawing, clay modeling, applied design, choir music and physical culture.

IV. Free circulating library, reference library and reading rooms.

V. Employment Bureau.

VI. Needlework department, salesroom, order department, free classes in machine and hand sewing, classes in cutting and fitting.

VII. Free board directory.

This work is typical of the various working girls' clubs, college settlements, industrial and educational unions, neighborhood guilds, and girls' friendly societies, all having for their object the "intellectual, industrial and social advancement" of the self-supporting woman. In most of them mutual aid rather than charity is emphasized. The humblest working woman who has caught the spirit of the new era despises "charity" and is sensitively suspicious of anything which has a taint of pauperism. The ladies of leisure and culture

[2] Meyers, p. 270.
[3] Henderson, C. R.: "The Social Spirit in America," p. 188.
[4] Meyers, p. 338.

must lay aside all airs of superiority, condescension, etc., if they wish to retain the privilege of assisting her in any way.

The sick and the criminal have not been neglected. In many cities of the Union women have established hospitals and managed them with "admirable wisdom." The Woman's Prison Associaton and Home, in New York, incorporated in 1854, carries on its work faithfully, the members being to the front in every effort for the prevention and the reform of criminal girls and women.

On the principle that "justice is better than charity" various other organizations have been founded. The Illinois Woman's Alliance, for instance, declares its object to be: (1) To agitate for the enforcement of all existing laws and ordinances that have been enacted for the protection of women and children, as the factory ordinances and the compulsory education laws. (2) To secure the enactment of such laws as shall be found necessary. (3) To investigate all business establishments and factories where women and children are employed and public institutions where women and children are maintained. (4) To procure the appointment of women as inspectors and as members of boards of education and to serve on boards of management of public institutions.[5] This Alliance has already been instrumental in procuring the passage of a compulsory education law and has secured the appointment of women factory inspectors. The Consumer's League is a similar organization which is promising good service.

The Woman's Club Movement is another striking illustration of the co-operative spirit this age has awakened. The General Federation, in 1897, consisted of nearly five hundred individual clubs, uniting in one body about a million women representing nearly every State in the Union.[6] Each constituent State Federation has adopted immediately on its formation, in 1894, "a special line of work, always educational in character and embracing education from the kindergarten to the university as represented in the State systems * * * public and traveling libraries, art interchanges, village and town improvement associations and constructive legislation." [7]

Women are taking an active part in all philanthropic organizations consisting both of men and women members who are aiming to increase the "greatest happiness of the greatest numbers" as well as the "perfection of the rational and spiritual nature of conscious personality."

The Jewish Chautauqua Association held its eighth annual session at Atlantic City, July 10–31. This is a national society, and its work is organized on the familiar lines of the parent association, consisting primarily in the establishment of local "circles," with prescribed courses of reading and study. The annual meeting is merely an incident, so that the small attendance of members is not regarded by its officers as a discouraging circumstance. It differs, however, from all similar organizations in having for its special aim the study of the Hebrew Scriptures, which our Jewish friends, who reject the New Testament, call "the

[5] Meyers, p. 343.
[6] Scribner's, 1897, pp. 486-7.
[7] Croly, J. C.: "History of the Woman's Club Movement," p. ix.

Bible." The same complaint is made by Jews as by Christians of the growing indifference to the Bible, and the ignorance of its contents and spiritual significance manifested by young men and women, otherwise fairly intelligent and well informed. Accordingly, the official programme included courses of instruction, particularly designed for the benefit of clergymen and students of divinity in the Hebrew language, in the history of the Jewish Church and its ceremonial observances, and in archæology and the higher criticism. Few persons are aware of the fact that Hebrew is not a dead but a living tongue, with a contemporary literature unknown to the world at large, including poetry and fiction. It is believed that more persons are to-day able to converse freely on all subjects of current interest in this language than at any period in history since the "diaspora" or the dispersion of the Jewish people after the capture of Palestine by the Assyrians, in the eighth century, B.C. An interesting feature of this meeting was the presence of a colored man, of unmixed negro blood, said to be an Episcopal clergyman, who has now been a member of the Association for three years in succession and has earned a certificate of his acquired ability, to read, write and speak Hebrew—something that he could not have learned in any Christian school in the United States.

The Jewish Chautauqua must not be confounded with the National Conference of Jewish Charities, which is a separate organization, made up originally of delegates from the Hebrew relief associations, but whose scope has been enlarged to include representatives of all Jewish charitable institutions, and which confines itself to the discussion of the problems of general and specialized philanthropy.

The administration of charity by the Jews is noted, the world over, for its wisdom, humanity and practical efficiency. They carry into it their deep religious feeling and their keen business sense. It is both shrewd and liberal, and it is characterized by strict conformity to economic law. No other people is so deeply imbued with the sentiment of moral responsibility to care for its own poor and unfortunate members at its own cost, without resort to outside aid. In this country, however, prior to the recent extraordinary influx of Jewish immigrants, fleeing from the tyranny and oppression of Russia, there was comparatively small demand for the expenditure of money in this particular direction. The burden which American Judaism has now to carry is enormous, in comparison to the size and wealth of the Jewish population, and it is rapidly increasing. It is therefore not surprising to find, upon the Chautauqua programme, a week devoted to work in the "department of applied philanthropy."

If the Jews do not ask American Christians for money, they show a remarkable and praiseworthy willingness to accept help in the form of counsel by experts in charities and correction not of their own religious faith; and the selection of topics and speakers, during the final week of the session, by the Rev. Dr. Henry Berkowitz, of Philadelphia, was admirable. Dr. Edward T. Devine, the able Secretary of the New York Charity Organization Society, spoke on the value of special professional training for all charity workers, as now given in three American cities, New York, Chicago and Boston. Mr. Robert W. de Forest, President of

the N. Y. C. O. S., and recently Tenement House Commissioner under Mayor Low's administration, discussed the housing problem which is of peculiar interest to religionists who furnish so large a percentage of the dwellers in the overcrowded tenement districts of the East Side. He was followed by Miss Emily W. Dinwiddie, of Philadelphia. Mr. Marcus M. Marks, of New York, a manufacturer and large employer of labor, who is a member of the Civic Federation, was announced to speak on the labor problem in its relation to applied philanthropy, but confined himself in fact to a general statement of the nature of the labor problem and of the work of the Federation. He favored the "open shop." Mr. Sargent, U. S. Commissioner of Immigration, at an evening session which was attended by a large audience, held the undivided attention of his hearers for two full hours by a very happy talk on the immigration laws and their administration. He detailed the recent changes for the better at Ellis Island and other immigration stations; deplored the necessity under the law for so many reshipments to Europe, and said that the remedy consists in inspection and detention at the port of departure; and dwelt at length on the necessity for a more general distribution of immigrants, especially in the West and South, which he thought would be promoted by the creation of a free governmental bureau of information to be connected with the Bureau of Immigration. Dr. Frederick H. Wines, for thirty years the Secretary of the Illinois State Board of Public Charities, and more recently the Assistant Director of the United States Census, explained the relation which subsists between charity and correction, taking as the text of his paper the declaration of a leading Jewish Rabbi, that the Hebrew word *t'sadekah* is used to express the conception both of charity and of justice, since to Jewish thought charity which is not just is not charity, and justice which is not tempered by mercy is not justice. It is said that this was the first address ever delivered before a Jewish audience on the problems of crime and its treatment; and its inclusion in the programme was suggested by the fact that now, for the first time in our history as a nation, the number of Jewish offenders, adult and juvenile, in our prisons and reformatory institutions, is large enough to be appreciable. It is also said that few, if any, of them are natives; practically they are all recent importations. This is also true of Jewish paupers. Mr. Nibecker, Superintendent of the Pennsylvania Reform School, at Glen Mills, discussed the question of juvenile crime. Finally, Dr. Talcott Williams, of the *Philadelphia Press*, delivered a popular lecture on the oppression of the Jews and other subject races by the government of Russia.

All of the general sessions were held in the new assembly hall of the Royal Palace Hotel, which is the headquarters of the Association. It meets in Atlantic City year after year. The gathering is one marked by intense earnestness, and no provision is necessary for the mere amusement of the members. The "show" feature common to most Chautauqua assemblies is entirely eliminated.

III. NOTES ON COLONIES AND DEPENDENCIES

Hawaiian Finances.—In view of various conflicting and erroneous reports as to the status of the territorial finances, the statement given herewith has been furnished from an authoritative source in the Islands.

The finances of the Territory of Hawaii are in better shape to-day than they have ever been since the date of annexation by the United States. Prior to that time these Islands were in receipt of an annual revenue approximating one and one-half million dollars, derived from Customs and Internal Revenue sources. Since annexation this money has gone annually into the Federal treasury. Notwithstanding the loss to the Territory of this large amount of revenue, equal to ten dollars per capita of Hawaii's population, the expenses of the Territory had been maintained upon their former basis, that is to say there had been no reduction in the number of employees or the current expenses in any single department of the government. In an effort to supply the deficiency in the revenue the system of direct taxation was largely increased, but this was insufficient to meet the requirements and each financial year found greater deficiencies. The shortage of one year was made up by drawing upon the income for the subsequent year. At the beginning of 1904, conditions were such that Governor Carter, who had only been in office for five weeks, after a close examination of the Territory's condition, deemed it necessary to call an extra session of the Legislature. This session lasted only twelve days. Most effective work was accomplished in reducing the amount of expenditure which had been authorized by the previous Legislature and curtailing the disbursements which had been authorized on salary account. The result is that, beginning with the first day of July, 1904, appropriations for the fiscal year ending June 30, 1905, will be slightly under two million dollars, while a conservative estimate places the Territory's income for the same period at rather more than two and one-quarter million dollars. Upon such a working basis the Territory will soon be in a position to "make good" advances that have been furnished for the previous years' disbursements and will again be running on an absolutely cash basis.

It is true that the affairs of the Territory were in an unsatisfactory condition, but they have been satisfactorily adjusted. As the Territory is unable under its organic law to borrow money to cover any deficit in its income, it must pay as it goes. Bonds can only be issued for public improvements, with the approval of the President, the amount being limited by the Organic Act. At the present time the total bonded indebtedness of the Territory does not exceed two and one-half per cent. of the taxable property. By next November every item of current indebtedness will have been paid. The outlook for economic administration is decidedly more favorable than it was at the close of 1903.

The Territory's difficulty arose mainly through the habit into which the Legislature fell of passing large appropriations without regard to the public income, the previous administration not having placed any check upon them

or drawn the attention of the Legislators to the fact that they were exceeding the income.

Instances of the changes in revenue of the Territory can be shown by the fact that the customs receipts from these Islands in 1899 amounted to almost $1,300,000 and from the Post Office to $120,000—besides about $200,000 collected through the department of Public Works. These sums have since gone annually to the Federal departments in Washington. The receipts of the tax office from property taxes have increased from $1,072,000 in 1899 to $1,678,000 in 1903. This shows a gain of $600,000—as compared with the loss of $1,600,000—taken by the Federal Government. Revenues from the Water Works and Public Lands Offices also show some little gain during the same period, but it has been impossible to make up what the Federal Government has taken and no effort was made to curtail the expenditures. At the present time, however, the outlook is infinitely more satisfactory than it has been since annexation and under the present economic administration Hawaii should soon be working upon a cash basis, with only the small bonded indebtedness which has been incurred for public improvements of a permanent nature.

Filipino Students in the United States.—The second quarterly report of Prof. Wm. Alex. Sutherland in charge of the Filipino students in the United States has been received by the Bureau of Insular Affairs, War Department; from it the following facts have been taken:

Upon their arrival in San Francisco in November, 1903, it was thought best to have the students remain in Southern California during their first winter in the United States, as they had never experienced any other than a tropical climate, and as their medical attendance for the first six months has cost on an average less than $2.50 per student, the wisdom of the plan has been proven.

The students have grown both in weight and height and the results obtained in bearing and general appearance are very noticeable. The people of Southern California have received the students into their homes and they have also participated in the social life of the towns where they have been attending school.

Many of the young men have taken part in the school entertainments using the English language, and a number have addressed teacher's institutes. They have also done well in school work as may be seen from a report made by Professor Gates, President of Pomona College where eight Filipinos had been located. He states, "I have made special inquiry at our faculty meeting about your boys. I find that they are without exception doing exceedingly well. It would be hard to the extent of practical impossibility to pick out any haphazard bunch of eight students of whom the same could be said.

"The only weak spot was in the English work, which of course was nothing against the boys. It was simply something that would happen to me if I were in a Spanish school. It is the one place where the language handicap specially shows, but in that their work is faithful and efficient."

The present plan is to collect the students at some suitable place after the school year is over and give them a special summer course along the lines

where special work is needed, and then after a short visit to the St. Louis Fair, to place them in schools and colleges in the Central States.

The students, as far as they have expressed themselves, desire to pursue a variety of callings upon their return to their island homes. Twenty-five per cent. of them expect to become teachers, some desire to become civil engineers, others to pursue a commercial course, a few wish to study medicine, two are eager to enter the Naval Academy at Annapolis, and then find employment in the coastwise service of the Philippines. One of these is reported to converse in Spanish, English, Japanese, French, Tagalo and Visayan languages. A few expect to study scientific agriculture and they will probably be placed in some Southern Agricultural College, in order to secure practical training in the cultivation of rice, sugar and cotton as well as acquaintance with modern agricultural instruments.

If the present high standard of students is maintained and the original plan of sending a hundred students each year to the United States for a four years' course, is continued, their influence should before long be felt in the islands and should become a powerful factor in the development of their native land.

How Yellow Fever May Be Introduced Into The Philippines.—Dr. Richard P. Strong, Director of the Biological Laboratory at Manila, P. I., has a paper in the fourth annual report of the Philippine Commision, about to be published by the Bureau of Insular Affairs, showing how the Panama Canal may become a factor in introducing yellow fever into our Eastern possessions and the entire Orient. He shows that the Hawaiian Islands, Guam, and the Philippines, will be exposed to the importation of cases of yellow fever or of infected *Stegomyia fasciata* (the mosquito which carries the fever), unless the disease can be banished from Panama.

The paper states: "One need glance only for a moment at the map and then at the statistics of cases of yellow fever in numerous seaport towns during the year 1902 to be again impressed by the relationship existing between commerce and yellow fever. During the past year among the seaport towns of the eastern coast of the Western Continent, Port Limon, Progress, Vera Cruz, Tuxpan, Tampico, Rio de Janeiro, Bahia, Manaos, Pernambuco, Para and Paramaribo and among those on the western coast, Panama and Guayaquil have all been frequent sufferers from this scourge. It does not seem improbable, therefore, that unless extreme precautions are taken against vessels passing from these regions and bound for ports in the Far East, infected ships, and even actual cases of yellow fever will be conveyed from the above-mentioned cities to Honolulu, or even directly to Guam, Hongkong and the Philippine Islands.

"Mail steamers from Panama should reach Honolulu in thirteen or fourteen days, and the Philippine Islands by a direct route in about twenty-eight days. Vessels, even though leaving Panama with no cases of yellow fever on board, and reaching Honolulu without a history of sickness en route, yet might obviously be most serious agents of infection to the Hawaiian Islands, for if *Stegomyia*

which had recently bitten persons suffering with yellow fever were taken on board the ship at Panama, they would not be capable of conveying the disease until about twelve days later, which at the earliest would be one or two days before the arrival of the ship at Honolulu. * * * It has been shown that the *Stegomyia* is capable of conveying the germs at least as late as fifty-one days after biting a person suffering with the disease. * * * Should a case of yellow fever (or even infected *Stegomyia*) reach Manila, without quarantine, the chances would seem to be in favor of its not falling upon barren soil. Humidity and heat, which seem to be the ideal coefficients for the preservation of the disease, are always present in Philippine ports. The *Stegomyia fasciata* is found abundantly throughout these islands, and one may at any time readily obtain in a few minutes a number from any of the dwelling houses in Manila. * * * However, the matter has not altogether a dark side. For example, Wood and Gorgas, stimulated by the work of the late Walter Reed, have recently shown us that it is possible by proper sanitation to entirely stamp out yellow fever from its natural endemic home, Havana. * * * Why then should not the same be accomplished along the entire route of the Panama Canal?"

Trade in the Philippines.—The statement of Philippine commerce for the calendar year 1903, made public through the Bureau of Insular Affairs of the War Department, gives complete statistics for the past five years in graphic and tabular form according to the leading articles of commerce, together with a brief review of the trade, and reference to recent measures that may have a bearing on the future industrial development of the islands. By comparison the general result indicates a steady advance in the volume of business transacted.

In 1902 the foreign commerce of the archipelago amounted to $62,014,070 as compared with $66,203,130 in 1903, imports aggregated $33,342,166 and $33,811,384, respectively, and exports $28,671,904 as against $32,396,746 in 1903, which figures are exclusive of gold and silver and government supplies. Ten years ago, 1893, the total value of imports and exports was but $38,073,725, the increase in the decade being 75 per cent.

The effect of adverse agricultural conditions is shown from the fact that the item of food supplies during the past year has been considerably larger than manufactured articles, in the distribution by classes being valued at seventeen million dollars or more than one-half of the total imports, a material increase over 1902 when the proportion approximated two-fifths.

With the exception of those producing rice all the principal countries, United States, United Kingdom, Spain and Germany show a falling off in imports, the rice purchases from Asiatic territory more than making up the loss in trade with Europe and the United States.

Under exports the figures on hemp and copra, products that are in great demand and require but little attention in cultivation, show a continuance of the improvement characteristic of this branch of the island's commerce. Hemp shipments reached $22,000,000, or two-thirds of the outward trade in 1903, an increase of $3,000,000 over 1902 returns, considerably more than one-

half being destined for markets in the United States. An increase of more than a million dollars is noticed in the copra trade, 1903 shipments aggregating $3,800,000 in value, nearly all of which went to France. Sugar to the amount of $3,000,000, and tobacco $1,900,000, fell slightly below the exports during 1902. In the early months of 1903 several fair-sized sugar cargoes left Philippine ports for the United States, but the returns subsequent to June indicate a complete cessation of trade doubtless in the hope that favorable action would be taken on the effort for tariff reduction.

The trade between the United States and the Philippines, incoming and outgoing, for 1903, was $16,908,526, or about 25 per cent. of the latter's total trade. Imports from the United States for the past year were $3,387,100 against $4,153,174 in 1902, a slight falling off in value. The exports to the United States for 1903 were $13,071,426 against $11,475,948 for 1902, an increase of $1,595,478. The balance in favor of the Islands in 1903 was $9,234,326.

Notwithstanding a net loss over 1902 in the value of shipments from this country the amount of merchandise received at Philippine ports in American bottoms doubled in value. Philippine products exported to the United States show even greater improvement in the carrying trade, but while the increase is noticeable in each case it will be observed that eighty-eight per cent. of the cargoes either way is still confined to foreign bottoms. Of the $4,118,660 worth of imports (coin shipments included) coming from the United States last year sixty per cent. was brought in British vessels, a million dollars less in value than was shown in 1902 when all but one-fifth of our shipments entered the Islands under that flag. Nearly three-fourths of the $13,000,000 return trade reached United States ports through the same channel.

Disposition of Friar Lands.—The Bureau of Insular Affairs of the War Department has just received a copy of an enactment of the Philippine Commission, providing for the administration and temporary leasing and sale of certain haciendas and parcels of land, commonly known as "Friar Lands," for the purchase of which the Government of the Philippine Islands recently contracted.

This enactment provides that a careful examination is first to be made to ascertain the sufficiency and soundness of the titles to the land, and the Chief Engineer of the Philippine Government is directed to have careful surveys made of all haciendas and tracts of land, in order to determine with accuracy and certainty the amount of land in each hacienda. After the determination of these points payment is to be made for the lands, whereupon they are to be placed under the immediate control and direction of the Bureau of Public Lands of the Philippine Islands, the Chief of which, subject to the approval of the Secretary of the Interior of the Philippines, is to administer the land. He is enjoined by the enactment to ascertain the names and residences of the actual bona fide settlers and occupants in possession of these lands, or any portion of them, together with the extent of their holdings, and the character and value thereof; and to ascertain whether or not said occupants desire to purchase or lease their holdings. In case the present occupant does not desire

to purchase, but does desire to lease, he may do so for a term not longer than three years, at a reasonable rental, to be fixed by the Chief of the Land Bureau.

If the present settler or occupant of any portion of these Friar Lands desires to purchase, he is entitled to do so at the actual cost to the Government, and shall be allowed ten years from the date of purchase, within which to pay for the same in equal annual installments if he so desires; all deferred payments to pay interest at the rate of four per cent. per annum.

The present settler or occupant is to be given a refusal either to buy or lease, as above set forth, but all unoccupied lands, or lands which the present occupants do not desire to lease or buy, the Chief of the Bureau may lease, or offer for sale to other parties, as may seem for the best interests of the Government.

The Act also provides that all canals, reservoirs and other irrigation works, common to all the properties, shall remain under the exclusive control of the Government of the Philippine Islands, and the Government reserves, as a part of the contract of sale, the right to levy an equitable contribution or tax for the maintenance of such irrigation works, based upon the amount of benefits received.

The Philippine Government is authorized to designate any of these lands as non-alienable, if it so desires, and reserve the same for public use.

All money derived from the leasing or sale of these lands is to be promptly deposited in the Insular Treasury, to be held separate and apart from general Insular funds, and is to constitute a trust fund for the payment of the principal and interest of the bond issued by the Philippine Government for the purpose of raising money to pay the purchase price of these Friar Lands.

Philippine "Official Gazette."—The annual report of the Philippine Commission for 1903, which has lately been published, contains the report of the editor of the *Official Gazette*, a publication printed in English and Spanish, and issued weekly in Manila, under the general direction of the Secretary of Public Instruction of the Philippine Islands.

This publication was authorized by an Act of the Philippine Commission, approved September 2, 1902, and the first number is dated September 10, 1902. It contains the acts of the Commission, executive orders, important decisions of the Supreme Court, the Court of Custom Appeals and the Court of Land Registration and other material designated for publication by the Secretary of Public Instruction or which may be recommended by the editor and approved by the Secretary.

A copy of each number of the *Official Gazette* is deposited with the Civil Governor, the Secretaries of the several executive departments, the members of the Philippine Commission and several other high officials of the Government in the Philippines and is sent to the President of the United States, each member of his Cabinet and other officials resident in this country. Each provincial and municipal government is required to subscribe for one copy of the *Gazette* which is safely kept with the public records of the provinces or municipalities for reference.

In this way the prominent officials of the Philippine Government as well as those of the provinces and municipalities are kept in close touch with the laws and other matters affecting governmental affairs.

Philippine Forests and Forest Reserves.—Among the recent enactments of the Philippine Commission is one to regulate the use of the public forests and forest reserves in the Philippine Islands, the short title of which is "The Forest Act."

The public forests are made to include all unreserved public lands covered with trees of whatever age and are placed under the jurisdiction of the Chief of the Bureau of Forestry, his actions with reference thereto being subject to the approval of the Secretary of the Interior of the Philippine Islands. The Civil Governor upon the recommendation of the Chief of the Bureau of Forestry is empowered to set apart forest reserves from the public lands and is required to declare by proclamation the establishment of such reserves and their boundaries.

After the reserves have been set apart they cannot be entered, sold or otherwise disposed of, but must remain as such for forest use until the Civil Governor may see fit to revoke his proclamation at which time the reserve covered thereby becomes a part of the public lands.

The Chief of the Bureau of Forestry prescribes such regulations as may be necessary for the protection, management, reproduction, occupancy and use of the public forests and forest reserves in such manner as to insure for the future a continued supply of valuable timber and other products. For the purposes of the Act the several provinces in the Islands are divided into two classes and the various native trees into four groups.

The Chief of the Bureau of Forestry is given authority to issue licenses for the cutting, collection and removal of timber, firewood, gums, resins and other forest products from the public forests and forest reserves, each of the licenses specifying in detail the right to which it entitles the holder and providing for the selection of the timber before cutting. No officer or employee of the Bureau of Forestry is permitted to have any pecuniary interest in any forest or in any business in lumber or other forest products.

The Chief of the Bureau of Forestry estimates that there are about 40,000,000 acres of forest lands on the public domain of the Islands.

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INSURANCE INVESTMENTS

The investments of our life insurance companies are attracting more and more attention among students of finance. The marvelous growth of the funds held and invested by these companies leads us to make inquiries about their volume, their character, safety, and earning power.

To a full understanding of these questions it would be necessary to discuss insurance as an economic institution, to explain the various kinds or classes of policies, so as to show how the funds are made up and classified, and to whom in the last analysis they belong. But this would lead us into too many technical questions that lie beyond the scope of the present paper. Suffice it to say that a company which issues a large amount of endowment insurance, or one which has a large proportion of its policies near maturity, must necessarily have a larger amount of assets in proportion to the amount of insurance in force than a company which is comparatively new, or one which is making a specialty of "ordinary life" or "term policies." Likewise, a company which has a large amount of deferred dividend, or "semi-tontine" policies on its books, must necessarily show a higher ratio of assets to liabilities than a company which makes a specialty of annual dividend policies. Between these extremes there are all sorts and grades according to the amount of investment in the majority of the policies issued. That is to say, a company which issues a large amount of investment policies will have a larger proportion of its income coming from interest and rents than a company which issues a large amount of "ordinary life" and "term policies."

This being true the following propositions may be stated as facts which demand careful consideration in any study relating to insurance investments:

1. The assets are trust funds which bear absolutely no fixed relation to capital stock, or to the amount of insurance in force.

2. The income, either gross or net, into which the premiums enter, *cannot* be called *earnings* in any proper sense of that term, because the premiums are not income either *from* money invested, or

for services rendered, but are deposits that are to be held in trust for the policyholders.

3. Dividends are of two kinds: 1, dividends to stockholders, in stock and mixed companies, and 2, dividends to policyholders in all companies, the latter being, in most cases, nothing more than the return of an overpayment.

In the selection of investments, the companies are guided to some extent by State laws relating thereto. Among the most concise, yet comprehensive laws on this subject are those of Iowa. They provide substantially as follows:

"The funds required by the law to be deposited[1] with the auditor of State by any insurance company—organized under the laws of this State—shall be invested in the following described securities and no other:

1. Bonds of the United States.
2. State bonds (if at or above par).
3. Bonds, mortgages, etc., being first liens on real estate.
4. Bonds, etc., of counties, cities, towns and school districts.
5. Stock of solvent national banks (but not more than 5% of the assets of the company can be invested in such stock).
6. Loans upon the company's own policies, but not to exceed the net terminal reserve and not until the policy has been in force for at least three years.
7. Such real estate as may be necessary for office buildings for its own business, but rooms for rent may be added.

Similar provisions are found in the laws of most of the States and they have, no doubt, aided the companies materially in winning the confidence of the insuring public. The extent to which this confidence has been won is shown both by the rapid growth and the great magnitude of the life insurance business in recent times. To illustrate, the following paragraphs from a well known authority on the subject may be quoted.

"In 1860 all the American life insurance companies together had on an average about $5.00 at risk for each person in the United States; in 1901 the amount per capita at risk had increased to somewhere near $85.00; in forty-one years the average had been multiplied

[1] These deposits are increased from year to year to correspond with the obligations of the company.

by seventeen. This is one of the factors that explain the future of our life companies.

"The second factor is the rapidity with which assets overtake insurance in force * * * We can illustrate this in a striking way by citing the experience of the three great American companies:

"On January 1, 1886, the New York Life, the Mutual Life, and the Equitable had about $986,000,000 of insurance at risk. On January 1, 1902, sixteen years later, the same companies will have in cash assets not far from the same total. In other words, cash assets will approximate in 1902 what the insurance in force aggregated in 1886. Does it follow that sixteen years hence these three companies will have in cash assets a sum equal to the present outstanding insurance—probably $3,500,000,000? Does it follow that to this will be added an increase in the amount of insurance per capita?

"We need not speculate on what may happen. We have only to deal with what is certain to happen, and we are forced to the conclusion that our life insurance companies during the next decade will play a part quite different from what they have hitherto undertaken.

"If no new insurance were written, if palsy should suddenly seize the tremendous activities of these companies, the contracts that are now outstanding and well established, in the very nature of the case would bring in such sums of money that the companies would be compelled to become an active factor in the investment world."[2]

The above paragraphs, coming as they do from a man who has had many years of experience in the business, and is thoroughly familiar with the facts, are full of meaning.

The total amount of money in circulation in the United States has been estimated at $2,002,931,791, and the total assets of the life insurance companies alone, January 1, 1902, was estimated at $2,263,000,000 or about $260,000,000 more than the total amount of money in circulation in the United States. The total market value of all taxable property in the State of Wisconsin in 1902, including railroad property, was $1,724,687,950, or $438,312,045 less than the amount of property held by these companies.[3] The four largest life insurance companies alone have sufficient assets to pur-

[2] Darwin P. Kingsley, Third Vice-President, New York Life Insurance Company, *New York Independent*, December 19, 1901.

[3] See Wisconsin Tax Commission Report, 1903, p. 216.

chase all the railway property in Wisconsin and pay for it five times over, and this is all the more significant when we consider the rapid growth of these funds.

Let us now consider these investments in detail. Our best source of information is the State insurance reports. From the facts there given it appears that on January 1, 1902, the $1,773,916,359 of assets held by the twenty-eight leading life insurance companies were distributed among the various classes of securities as follows:

1.	Bonds	$728,919,287	or	41.1%
2.	Mortgages	490,632,508	or	27.7%
3.	Real estate	154,409,242	or	8.7%
4.	Policy loans	92,388,507	or	5.2%
5.	Cash in banks and office	83,987,628	or	4.7%
6.	Loans on collateral	57,590,295	or	3.2%
7.	Stocks owned	51,541,185	or	2.9%
8.	Miscellaneous	114,447,707	or	6.5%
	Total	$1,773,916,359		100.0%

One important thing to be noted in the above table is the high rank given to bonds, being over 41% of the total. It is equally noticeable that stock falls to the lowest rank in the classified list, being less than 3%.[4] Mortgages hold an important place—27.7%, being second in the list. Then comes real estate with only 8.7%; policy loans, 5.2%; cash in banks and office, 4.7%, and loans on collateral, 3.2%.

As far as the individual companies are concerned, the statistics show a great variety of holdings. Real estate does not rank very high in any company except one which has 60.1% of its total assets in this class; the next highest being 36.3%, 31.4%, 24.8%, etc., down to a trifle less than 1%. The larger companies as a rule have only a small portion of their assets in real estate. The largest amount held by any one company is that of the Equitable of New York, which is $38,293,092, or 11.6% of its total assets. The smallest amount, as well as the lowest percentage, is that of the Union Central, $292,590, or less than 1% of the total. Mortgages show a relatively high percentage in all companies—there being but two below 10%. Fourteen are above 30%, ten above 40%, four above 50%, and two above 75%. Stocks show the greatest variety, nine of the

[4] In fire companies this item is considerably larger than in life companies.

twenty-eight companies having no such investments, and one reaching as high as 23.6%. The largest amount held by one company is that of the Mutual Life of New York, $34,570,685, but this is less than 10% of the assets of that company. Bonds show a high percentage in nearly all the companies. Four of them, however, are low, three being below 3% and one slightly above 3%. Three have between 10% and 20%; six between 20% and 30%; ten between 30% and 40%, and three between 40% and 50% of their assets in this class. "Loans on securities pledged as collateral" are relatively unimportant, both in amount and in character, for they represent no distinct form of securities or class of investments, except insofar as they may be called "quick assets," that can be converted into cash to meet extraordinary demands. Policy loans, on the other hand, form a distinct class by themselves. They are of two kinds: 1, policy loans proper, *i. e.*, loans on policies that have an accumulated reserve and on which a part of that reserve is loaned; 2, "premium notes and loans" which are only temporary loans to assist policyholders in keeping their policies in force when they are unable, or when it is inconvenient for them to pay the premium when due. The highest percentage shown in this class is 29.8%. Three are between 10% and 20%; ten between 5% and 10%; and ten below 5%. "Cash in banks and office" ranges from 1.1% to 13%. By far the larger part of this is in banks and is drawing a low rate of interest, being kept in different parts of the country to facilitate the business operations of the companies. The "miscellaneous" are unimportant except in two cases where they reach 12% and 19.2% respectively. The larger part of these consists of the one year's premium which is reported as assets. The reason why the two companies rank so high in this class appears to be that they are comparatively new, or because they are issuing a large amount of low premium policies so that the accumulations are still small in proportion to the annual premium collected.

In the selection of investments the companies should be, and are, guided primarily by two things—*safety* and *profit*. Safety is of first importance. This settled, the question of profit should be the best guide. But in practice, other considerations play an important part, and it is often a matter of "pride" or "policy," or convenience, or business connections that leads them to invest in one class of

securities in preference to others. Taxation is also considered, but not to any great extent.

On the question of safety the authorities differ, and the reports of the companies differ in many respects. They all agree, however, that policy loans, *i. e.*, loans on policies pledged as collateral have the best possible security. Bonds are so diversified that no definite rule can be laid down that will apply to all. Naming them in their order of security, they may be placed substantially as follows: Bonds (1) of the United States, (2) of the State governments, placing Eastern and Central States first, (3) counties (in well settled regions), (4) cities whose credit is good, (5) towns, villages and school districts, (6) bonds issued by private corporations, placing first those of well-established railroad companies, and last those of new corporations entering upon hazardous and untried undertakings. The bonds of some private corporations should undoubtedly be placed above the bonds of some towns, cities and villages, or even counties and States, but it is safe to say that, as a rule, the bonds even of the small governmental jurisdictions are superior to those of private corporations.

Real estate mortgages are looked upon by some companies with great favor while others claim that they are subject to foreclosure and loss by expense. One company which has over 77% of its assets in mortgages claims that they are of unquestionable security.

Hon. F. L. Cutting, Insurance Commissioner of Massachusetts, says:

"The reserves should be held in best earning, sure investments, and among these there is no better model or one more generally unobjectionable than well-selected mortgages, one great advantage of which is the absence of market fluctuations; another the better average rates of interest; and another, the unlimited amount of them always to be obtained by a respectable exertion on the part of the financiers."

But, like bonds, the mortgages are of such variety that no single rule can be laid down that will apply to all, save this, that the safety varies (1) with the amount loaned (and we have seen that some States limit this to 50% of the value of the land); (2) with the character of the property and its general surroundings, and (3) with the character and ability of the owner of the property. The latter, which is sometimes called the *personal equation*, is also considered in connection with some classes of bonds, but to a less degree than in the case of mortgages.

The security of farm mortgages is highest in the well settled regions of mixed farming and uniform climate, and poorest and lowest in newly settled regions and in regions subject to extreme climatic changes. As climatic changes affect the security of farm mortgages, so commercial prospects often affect the security of mortgages on city property. But they are also affected by the general character of the population, and location with respect to money centers, etc., so that no definite rule can be laid down with reference to mortgages any more than with respect to bonds.

Stocks form a distinct class by themselves, and it is a question if the companies that invest in stocks are not acting beyond the scope of their authority, for such companies are chartered to conduct an insurance business, and not to engage in railroad, banking or manufacturing enterprises. Such investments, however, have been, as in the case of Massachusetts, specifically allowed by law. Nor would it be wise to prohibit such investments on mere technical grounds, for the funds are accumulating so rapidly that safe and profitable investments sufficient to meet the demands can be found only by the exercise of the greatest diligence on the part of the managers, and there are numerous corporations whose stability and dividend paying ability can scarcely be questioned.

The earning power of the different classes of investments varies greatly. For a period of ten years (1892–1901) the average rates have been as follows:[5]

Mortgages	5.30%
Bonds and stocks	4.70%
Real estate	4.67%
All other securities	4.31%

While the mean rate was 4.86%. In the last four years of this period, however, real estate has earned a higher rate than that of stocks and bonds.

The trend of these rates from year to year is extremely interesting. During the ten year period under consideration, the rate on mortgages fell from 5.58% to 4.87%, a decline of seventy-one points; stocks and bonds fell from 5.01% to 4.50%, fifty-one points; and the rate on all other securities, except real estate, fell from 4.25% to

[5] B. F. Brown, "Complete Digest of Interest Rates," etc. See also Walford's Handbook, p. 69.

4.05%, a decline of twenty points; while the rate on real estate rose from 4.25% to 5.38%, a rise of one hundred and thirteen points.[6]

Judging from these facts, we would naturally expect that the companies would increase their holdings most rapidly in the investments that yield the largest returns, and especially those on which the rate of return is increasing. That, however, is not the case. The total assets of the twenty-eight leading companies, in the ten year period under consideration, increased 101%. But, taking the different classes separately, it will be seen that the increase was far from uniform. Stocks and bonds increased 155%; "loans on collateral, policy reserve," etc., 151%; "cash in banks and office," 148%; real estate, 72%, and mortgages, only 50%. Thus, with one exception, the class yielding the lowest returns shows the greatest increase in the amount invested, and the class yielding the highest returns shows the smallest increase.

Real estate is an extremely interesting class. Being the only class that shows an increase in earning power, we should naturally expect to see a rapid increase in this class. We should also expect that the amount invested would increase most rapidly in the periods when its earning power has increased most rapidly. But, so far as our statistics show, the exact opposite is true, for in the first half of this decade, (*i. e.*, 1892–1896), the amount invested increased 41% and the earning power increased .8%, while in the second half of the decade (*i. e.*, 1896–1901), the amount invested increased 11.65% and the earning power increased 12%.

But the earning power of real estate cannot be measured by these figures alone. The real estate held by these companies consists largely of office buildings, only a small part of which is used by the companies for their own business, the larger part being rented to individuals and corporations. The returns shown by the above figures are the cash rental values only, and from these there must be deducted something for depreciation, repairs and taxes. Depreciation and repairs are important items in this class, the others being only slightly and remotely affected. Taxes are also of much greater importance to real estate investments than to the other classes, as can be seen from a comparison of statistics. In 1902, the twenty-eight life companies before referred to, had $154,414,417 invested in real estate on which they paid $1,878,211 in taxes. This is equal

[6] B. F. Brown's "Complete Digest of Interest," etc.

to an *ad valorem* rate of .012162. All other assets amount to $1,619,-419,655, and all taxes and fees, except taxes on real estate, amount to $4,754,406. If this be considered as levied upon such "other assets"[7] it would be equal to an *ad valorum* rate of .00293, or less than one-fourth of the rate on real estate.[8]

The continuous prosperity of late years in causing a great demand for office room, thus enabling the companies to keep their buildings fully and continually occupied, has, no doubt, had considerable influence on the earning power of such real estate, and this fact accounts in part for the rise shown in the rates. But a large part of this apparent rise in the earning power is due to the fact that the real estate holdings have been most liberally scaled down in the reports, and the great increase in the amount invested during the first half of the decade may have been due, in part at least, to the foreclosure resulting from the panic of 1893.

Real estate in the form of office buildings yields one form of income, which is unique, and that is the advertising value of such buildings. It has been stated that one of the principal features of all advertising is to keep continually before the public mind the fact that the thing advertised is in existence and that it is in the market. For this purpose, such buildings are admirably adapted: first, because they are usually such imposing structures that they are sure to attract attention, and second, because a great many of the tenants use no other street address on their stationery than the name of the building, such as "Home Insurance Building, Chicago," "New Insurance Building, Milwaukee," "Equitable Life Building, New York," etc., etc., thus continually reminding the public that such companies are in existence. They also serve the purpose of satisfying a class of people who think they must have some "visible, tangible and unquestionable security" to make good their contracts. Although this advertising value cannot be expressed in an exact number of dollars and cents, it is safe to say that if the companies should publish literature of equal advertising value it would cost them many thousands of dollars.

Another question deserving attention in this connection is that of taxation. Lengthy dissertations have sometimes been indulged

[7] The personal property of insurance companies is generally exempt from direct taxation.

[8] The rate on gross assets would be .00373. The average rate on two hundred and twenty electric light companies was .01097, and the average tax rate in the State of Wisconsin in 1901 was .012176.

in to show that the tax on intangible securities is *always* shifted by the lender to the borrower. Some writers even go so far as to claim that there is added a profit to cover the expense of shifting. Professor Plehn, of the University of California, takes this view. As proof of his assertion, he cites statistics gathered from the banks of San Francisco[9] (1880–1898) to show that the interest rates on "taxed real estate loans," *i. e.*, mortgages, are higher than the interest rates on "bonds and first-class commercial paper" which is untaxed. He does not point out, however, that according to his statistics the interest rate on real estate loans fell considerably from 1880 to 1898, while the rate on bonds, etc., which were untaxed, actually rose in that period. We are led to believe that, in the first place, his statistics have not been gathered with any great degree of care, and, in the second place that the statistics gathered have not been fully digested or correctly interpreted. Knowing, as we do, that interest rates have fallen considerably in the last twenty or twenty-five years[10] we are led to believe that if bonds of the same class or quality had been selected for each year, in Professor Plehn's compilation, the statistics would not have shown an increase in the rate of interest. Likewise the decline in the rate on mortgages shows that either the rates have fallen with the increased supply of money and the increased stability of values resulting from further settling and improvement of the country, or there has not been sufficient care exercised in the selection of mortgages. If we compare the interest rate on mortgages with that on stocks and bonds of the twenty-eight life companies before referred to, for a period of ten years, thus making two hundred and eighty comparisons, we find that in fifty-four cases or 19.25%, the stocks and bonds show a higher rate than do the mortgages; while in the remaining two hundred and twenty-six cases, or 80.75%, the mortgages show a higher rate, and this cannot possibly be due to taxation, for the stocks, bonds and mortgages owned by these companies are all taxed alike insofar as they are taxed. But what shall be said of the fifty-four instances where the mortgages fall below stocks and bonds? An examination of the investment schedules gives us the answer. From a cursory examination of such schedules it appears that the companies whose mortgage rate falls below that of stocks and bonds have a considerable

[9] See *Yale Review*, May, 1899.

[10] The average rate of interest earned by twenty-nine leading life insurance companies fell from 5.54% in 1883 to 4.42% in 1902. (See Insurance Year Book, 1903, p. 179.)

amount invested in large mortgages on city property,[11] running for long terms so that the investors are willing to accept a lower rate on that account. It is also seen in some cases that those companies have comparatively large holdings in the securities of corporations whose stocks and bonds, on account of either inferior security or of monopolistic conditions, yield a higher rate than ordinary.[12]

The reason why mortgages earn a higher rate than stocks and bonds must, therefore, be sought in some other place than in the tax laws. The principal reasons may be stated as follows:

1. Investments in stocks and bonds usually require larger amounts than mortgages.

2. They run for longer terms.

3. They possess a higher degree of convertibility, being much more extensively quoted in the market.

4. They are less exposed to the risk of defective title, and have less of the hazard due to personal equation. Mortgages usually have to be carefully inspected and not only the title to the property examined, but the character and ability of the owner must be considered.

5. The ownership of bonds, and stocks especially, often gives the owner desirable business advantages and financial relations that do not follow with mortgages.

These facts must account in the main for the difference in the earning power of mortgages as compared with stocks and bonds, for they are all taxed alike, insofar as they are taxed. The statistics given above, gathered as they are from all parts of the country, involving in the neighborhood of two thousand millions of dollars invested in almost all kinds of securities and under the most varied conditions, should give us as reliable a basis upon which to rest our conclusions as any that have as yet been published. We do not deny, however, that taxes have some influence on the interest rates where one class is subjected to a higher tax than another, for it would seem self-evident that investors would weigh this question as carefully as they do all others and would attach toit the proper significance. This can be seen in case of mortgages in which the mortgagor agrees to pay all taxes on the mortgaged premises, but we must say the

[11] Such mortgages are sometimes called real estate bonds.

[12] See stocks of some fire insurance companies held by life companies; p. 23 *infra*.

claim that the whole difference in interest rate is due to a difference in taxation is surely not borne out by the facts.

So far we have considered the investments made by insurance companies and the earnings upon such investments. We deem it proper in this place to say something concerning the stocks of insurance companies, considered as an investment, from the standpoint of the stockholder. The popular supposition is that all the "old line" insurance companies are stock companies that are operated on a stock basis for the benefit of the stockholders. As far as the life companies are concerned, this supposition is incorrect, for they are all, except one, either mixed or purely mutual. Most of the fire, marine and casualty companies, however, are stock companies pure and simple. The stock of the life companies is put in as a "guaranty capital" to give the company a start, and is in many cases withdrawn when the company has been well established; in others the capital is allowed to remain, in which case it draws a regular or "standard" dividend, more in the nature of interest on bonds than dividends on stock. The dividends paid on the stock of fire, marine and casualty companies, on the other hand, is determined by the earnings of the companies as in other corporations.

That many companies, both stock and mutual, have failed to meet their obligations and have gone into the hands of receivers scarcely needs to be mentioned, and that a great many stock companies have failed to make satisfactory profits to the stockholders and have consequently combined with others or have voluntarily disbanded, is equally well known. In spite of these failures and of the loud outcry against "low premiums" and "excessive taxes" there is a considerable number of companies that are paying enormous dividends. As can be seen from the State insurance reports, and the Insurance Year Book[13] a large number of fire insurance companies have for a period of twenty years or more paid dividends of 10% or over; 20%, 25% and 30% are quite common. One company has paid 40% every year since 1876, and one company, from 1876 to 1896 paid dividends ranging from 80% to 120% on its capital stock. Such dividends, however, are not paid in life companies except in a very few cases. One company,[14] from 1875 to 1877, paid 55%; from 1878 to 1886, 40%, and in later years it has been paying

[13] *Fire and Marine*, published annually by the Spectator Company, of New York.
[14] The Manhattan Life. Some of those dividends may have been stock dividends, but there is nothing to indicate it directly.

from 16% to 20%. Two companies have paid 12% from 1875 to the present time; two have paid 10% almost every year since 1875; one has paid from 11% to 18.5%, and several are paying regular dividends of 6% to 10%. One notable case is that of the Phœnix Mutual, which paid 6% from 1875 to 1881, 12% in 1882, 24% from 1883 to 1888, and 12% in 1889, when the stock was retired by vote of the policyholders, leaving it to operate on the purely mutual plan. In 1902 the average dividend on the stock of the life companies was 7.44%.

The dividends paid to stockholders may be divided into three classes, viz: (1) those paid by proprietary stock companies upon declaration of the board of directors, in the same way as in other corporations; (2) the dividends paid to stockholders in "mixed" companies, which is usually a fixed rate resembling interest on bonds; and (3) the dividends resulting from the non-participating branch of the business. Concerning the last named, but little has ever been written, and very little can be found in the reports.[15] It has been stated, however, that the non-participating business affords considerable income to the stockholders in some companies. But, compared with the business as a whole, they are not of much importance, for this part of the business is comparatively small, and the stockholders that receive such dividends are few.

The price paid for such stocks often reaches a very much higher figure than it is generally supposed. Some knowledge can be gained on this point by a glance at the following table.[16]

Company.	Par Value.	Bid.	Ask.
Boston Marine	100	242½	...
Etna of Hartford	100	310	...
Connecticut	100	220	...
Hartford	100	650	...
National	100	310	325
Phœnix	100	233	...
Steam Boiler	50	200	...
Etna Indemnity	100	110	120
Etna Life	100	410	...
Connecticut General	100	175	...
Hartford Life	100	135	...
Travelers	100	675	...
American (Newark)	5	440	...
Firemen's	50	300	...

[15] *Wisconsin Insurance Report* (Life) 1896, pp. 58, 183 and 208.
[16] *Commercial and Financial Chronicle Supplement*, July 4, 1903, p. 47.

Company.	Par Value.	Bid.	Ask.
Merchants'	25	110	...
Newark Fire	5	180	...
Prudential [17]	50	550	...
Continental	100	790	...
German American	100	640	690
Germania	50	340	360
Hamilton	15	110	115
Hanover	50	140	145
Home	100	....	345
King's County (Brooklyn)	20	185	190
Nassau (Brooklyn)	50	180	...
Niagara	50	280	...
North River	25	165	...
Phœnix (Brooklyn)	50	240	250
Westchester	10	380	400

The above list consists principally of fire companies, only a few life companies being included. These figures, however, are completely eclipsed by the price offered for the stocks of the Equitable of New York, whose stock is not quoted in the market. That company has $100,000 of capital stock, divided into shares of $100 each, and it pays a regular dividend of 7%. According to a New York correspondent of the *Philadelphia Press* an offer was made of $7,500,000 for fifty-one (51) shares of this stock; or a trifle less than $150,000 per share. The fifty-one (51) shares in question are now owned by the H. B. Hyde estate which is in the hands of trustees who are not allowed to sell.[18]

The question arises, what is it that induces financiers to offer such prices for stock that can never, according to charter provisions, pay over 7% annual dividends? It is evident that the profits resulting from the ownership of such stocks cannot be measured by the cash dividends alone. The profits are sometimes held over for a year or two, or for a longer period, and the stocks meanwhile rise in value with the increase in surplus. In many cases, the ownership of such stock carries with it emoluments and business advantages undreamed of by the uninitiated. Among these advantages may be mentioned the well-paid offices in the gift of the companies; the opportunity to arrange for ready loans on favorable terms when business exigencies demand it; and the opportunity for the exercise of influence in the financial world. It requires no argument to prove that men who have the power to say where the funds shall be deposited can,

[17] Par value taken from charts published by the Spectator Company.
[18] See *Western Underwriter*, p. 15, March 13, 1902.

in a private capacity, go to the banks where such money has been deposited and obtain loans on favorable terms. How extensively this is done it is difficult to say, but it is undeniable that the road is open and that such things are done.

A word may be added here concerning the amount invested in this class of securities, so that the influence they exert may be more clearly understood. As already intimated, the capital stock is of relatively greater importance in fire insurance than in life insurance. The capital stock in the life companies is generally put in to give the business a start and is sometimes withdrawn when the company is well established. In fire insurance the capital stock continues to be a working basis of the business. In this connection a few comparisons are interesting. The amount of stock in all the life companies reaches about ten millions of dollars; the total assets exceed two billions, making the stock less than one-half of one per cent. of the assets. The total stock of all the fire companies is about $72,123,389; their total assets, $394,947,651, making the stock 18.3% of the assets.

The largest amount of stock in any one life company is $2,000,000, the Metropolitan and the Prudential[19] each having that amount. The largest amount of stock in any one fire company is that of the Etna, $4,000,000; the next highest, that of the Home Fire Company, $3,000,000. The proportion between assets and capital stock, and between capital and insurance in force is so variable in the different companies that comparisons are of little or no avail, being all the way from nothing up to nearly one hundred per cent.

This shows something of the nature, the extent and the complexity of the business. The conclusion is naturally drawn that our insurance companies are financial institutions of a very high order. The best financiers of the country are investing large sums of money every year in life policies, and wealthy men make provision in their wills that the trustees shall invest the funds in the same class of securities in which life insurance companies invest their funds. The stability of the companies is also shown by the fact that the recent slump in the values of securities had but little effect on their assets, and only a few of the companies sustained losses worth mentioning. The future of the business, therefore, promises to be even brighter than the past.

L. A. Anderson.

Madison, Wisconsin.

[19] The Etna Life increased its stock from $1,750,000 to $2,000,000 recently.

FIRE INSURANCE, EXPENSES, PROFITS, PROBLEMS

In any discussion of the business of fire insurance, two facts of primal importance must be kept in mind. First, that the indemnity must be of unquestionable value; second, the demand of the buyers of fire insurance indemnity, that they shall be able to purchase it with the same ease and facility that they do their groceries and dry-goods. The first demand has resulted in the reserve requirements of the State. The second, in the agency system, as it now exists. By keeping these two facts in mind, it will be easier to understand the problems connected with the business of fire insurance.

The demand for unquestionable value in fire insurance indemnity arises not only from the belief of the individual that what he buys he should receive, but also from the use to which he may put his contracts of indemnity. To illustrate: a man purchases a policy of fire insurance indemnifying himself against loss by reason of the destruction of his home by fire. First, he wishes to know that he will be indemnified in case of loss. Then he desires to borrow some money upon the security of his home. The one who lends the money not only takes a mortgage upon the home, but also requires that the fire insurance policy be made payable, as his loss may appear, as collateral security. Another illustration: a man buys grain, cotton, wool, or other commodities, and stores them, pending sale and shipment. He finds it necessary to borrow money while they are in the warehouse. The bank requires that along with the warehouse receipt, there be an insurance policy. These two illustrations are sufficient to show the absolute necessity that the policies have the value that is claimed for them.

So thoroughly has this demand been met that it makes but little difference to the holder of a fire insurance policy, issued by a stock company, whether the company goes out of business and re-insures its risks in another company, or carries them to expiration. The reserve requirements of the State are sufficient, so that if the original company finds that the business is becoming unprofitable it is able to re-insure its risks in a going concern. Most buyers of fire insurance policies have, at one time or another, purchased policies of some company which has been re-insured in another company

before the expiration of the policies. The policyholder was protected. It is only in very rare cases that a stock fire insurance company fails so that its contracts lose value. So infrequent are such cases, that they may be fairly taken as a negligible quantity.

This reserve, required by the State, is technically known as unearned premiums and the total unearned premiums of a fire insurance company, taken together with the capital, form the major part of the company's liabilities. This unearned premium fund varies with the term of the policy. For an annual policy, it is fifty per cent. of the original premium and it increases with the length of the term, until in a five-year policy it is ninety per cent. This ratio has been determined upon because it is just about a fair average of the year's premiums. It varies with the varying volume of premium income. Policies are expiring and new ones are being written, but the ratio named suffices to cover the unearned premium liability. The State requires that the company, in order to do business, shall have a surplus over all liabilities and when it ceases to have such a surplus it must either create one, or utilize its unearned premium fund to re-insure its risks in a company which has a surplus. This matter of the reserve is given thus fully, because a good many persons in the discussion of the fire insurance business take no account of this unearned premium liability and rather assume that all there is in the determination of the profitableness or unprofitableness of the fire insurance business is the difference between the premium income and the loss outgo. The application of the reserve principle, has given a certainty of value to fire insurance contracts, which is not excelled by the contracts of any other financial institutions of the country or the world.

The second factor is that of facility in the purchasing of fire insurance policies. The fire insurance business is essentially a retail business with all the expense which attends retailing. The man in the metropolitan city and the man in the new town in the far Northwest can purchase a fire insurance policy with equal facility. There may not be as many companies to choose from in the frontier town as in the metropolitan city, but the man in the frontier town can buy as many insurance policies as he needs. He does not have to go to the city to purchase his insurance, but when he needs it one of his neighbors will sell it to him. In probably no other business, can a man in a small town supply his needs as easily as he can in the pur-

chase of fire insurance policies. This widely extended retail business involves a very large number of salesmen. In the case of the large fire insurance companies, the number runs into the thousands. Some of these retail salesmen or local agents, write a large number of policies during the year, while others only write a few. Because of this widely extended agency system, the company has to rely for information concerning the desirability of the risk upon the local agent, assisted by maps and diagrams. The amount involved in a single agency will not, as a rule, warrant an inspection of any but the larger and more important risks. The agent gives the information to the company which it asks and upon which the men at the home or the branch office are in the main obliged to depend for their information concerning the moral and physical hazard and the desirability of accepting or rejecting. Of course, a careful inspection of each risk would probably reduce the fire loss, but the expense would prove prohibitory. Another supervisory check which the company has is found in its field men who have charge of States, or parts of States and who are the inter- mediaries between the agent and the company. They add to the expense, but their work is of great importance to the companies. This system is now so firmly established that it may be termed one of the fixities of the business.

It should be remarked here that the great bulk of the fire insurance business of the country is transacted by the agency companies through their local agents. Some special classes, such as owners of large mills, employ the mutual system, which calls for no farther attention here than to state that it is based upon a careful inspection of the individual risk which as observed above is not possible for the general fire insurance business. The mill mutual system is a specialty for the few. The stock fire insurance companies' methods and the mutual companies' methods are so variant, that neither one can be used as a basis for a criticism of the other.

A question that is always to the front in the fire insurance business is that of expense. In this particular, fire insurance is not materially different from other lines of business. There is always in all lines of business, a struggle to keep expenses down. The more widely extended the business and the more thoroughly retail it is, as regards extent of territory, naturally the greater the tendency to a large expense. The managers of fire insurance companies strive to keep the expense element at the lowest possible figure, but in spite

of all their efforts the expense is very considerable. There are a good many items in the expense account of a fire insurance company. The heaviest item is that of commissions. The agent is compensated by a commission upon the premium collected. This has gradually increased. During the past five years, 1899 and 1903 inclusive, the commission charges have increased from 20.59% to 21.32% or a little less than one per cent. This seems large, but it is to be remembered that it is the price which the buyer of fire insurance pays for the privilege of doing business with his neighbor. It may not be amiss to take note of the fact that the money paid for commissions remains in the community where the business originates. A company, using the word company in the sense of the stockholders, does not in any way profit by the commission paid for the business. The company simply enters into an arrangement with a man in a given community to sell its fire insurance policies, to those who desire to buy them. When he has collected the money, the company authorizes him to retain a certain proportion for his services which at the present time will average about twenty per cent. the country over. This money is kept in circulation and is a benefit to the community in that it furnishes employment and support to one or more of the members of the community and thus takes them out of the competition in other lines of activity. This is a commonplace, but it seems to be lost sight of many times by those who assert that all money collected on behalf of these insurance companies is withdrawn from the community and sent to the headquarters of the company. Another item of expense is the charge which the State imposes upon the business in the shape of taxes. This amounts to nearly three per cent. The following table gives the premiums received by the companies reporting to the New York department for a period of five years, the losses paid and the taxes:

Year	No. of Companies	Premium Received	Losses Paid	Taxes	Ratio of Taxes to Premiums
1899	162	$134,450,638	$91,031,677	$4,495,332	3.34
1900	158	146,263,565	92,472,967	4,736,250	3.24
1901	146	163,526,207	96,363,509	4,621,006	2.83
1902	145	185,494,632	97,950,790	4,947,898	2.67
1903	147	196,532,866	96,834,018	5,474,156	2.78
		$826,267,908	$474,652,961	$24,274,642	2.97

It will be observed that the total taxes paid by these companies for the five years is in excess of twenty-four million dollars, which is almost as large as the underwriting profit of all the companies reporting to the New York department for the period of ten years. The taxes are in exact figures $24,274,642, and the profits for the ten years ended December 31, 1903, $27,636,698.

One item of expense which does not attract much public attention is that of inspections by field men, local boards of underwriters and special organizations of technical men in matters of construction and equipment of buildings. Take the one item approving materials entering into electrical equipments. This aids in preventing fires, and it should always be remembered that when a company prevents the destruction of property it helps the public even more than it does itself. Property burned is value destroyed which cannot be restored though the owner may be indemnified for his loss. Every dollar's worth of property destroyed leaves the country that much poorer. The companies paid many millions of dollars to the citizens of Baltimore by way of indemnity, but they did not restore to the country one dollar of the value destroyed. The expense of preventing fires is for the public's benefit and aids not only the State by lessening the amount of value destroyed, but also the individual by lessening this fire loss tax.

Then there are the expenses of supervising the business through field men, the adjustment of losses, and the home office expenses. For 1903, the total expenses of each $100 of premiums was $36.91. The ratio of expenses for the period of 1860 and 1903, inclusive, was $37.81. The expenses for 1903 were nearly one dollar below the average for the entire period of forty-three years. A great deal has been said by persons who have studied the fire insurance problem, and those who have only glanced at it, concerning the heavy expense ratio. Those who have criticised it as unnecessarily large have not given any figures upon which a comparison could be based, between fire insurance and other lines of business. It would be interesting if a table could be prepared showing the expense in different lines of industry attendant upon the process of transforming raw material into manufactured products, and placing the same in the hands of the consumer. Taking the fire loss as the raw material and computing the expense of furnishing the indemnity for the same, it is quite probable that the results would not be unfavorable to the fire insur-

ance business. In such a comparison, the premiums collected would not be considered as the basis, but rather the amount of fire loss covered by insurance. The expense would be the expense of distribution. It is sufficient to note this, at this time, without going into the subject in detail. The men in charge of the fire insurance business have made many attempts to reduce expenses and the subject has been under special consideration during the past year and is, at present, a very live question in fire insurance circles. It is not easy to reduce the expenses of a business in which certain customs have become established and certain factors have practically become fixed charges. The commission charge cannot be very materially reduced without entirely changing the system of securing the business. The charges of the State are steadily increasing and the incidental charges will of necessity about keep pace with the growth of the business.

One of the questions much discussed by buyers of fire insurance is that of the premium charge or, as more commonly known, rates. The charge for fire insurance is of necessity based upon the experience of the companies. Whenever the fire loss is heavy and the companies find it necessary to increase the charge, there is complaint of extortion. It is then popular to style the fire insurance companies trusts, and to claim that they are charging a price for the indemnity furnished out of all proportion to the loss outgo. It may be fairly stated that the normal tendency of fire insurance rates is downward; that when the companies have a series of unprofitable years great difficulty is found in increasing the rates; that just as soon as the fire loss lessens, the rates begin to go down again. The competition is so sharp between the companies that just as soon as conditions will at all warrant it, the premiums are reduced to as low a point as is consonant with safety. Given a series of four years of profitable conditions, and fire insurance rates will be reduced in spite of all that any man or set of men in the business can do to prevent it.

There is a good deal of supposition and imagination indulged in in the consideration of the average premium charge. Take the companies reporting to the New York insurance department for the period from 1871 to 1903, inclusive. In 1871, the average rate of premium of the 177 companies reporting to that department was $.9432 per hundred dollars of risk. In 1903, the average premium of the 147 companies reporting to the department was $1.1874. The average

for the entire period was $1.0228. The variation between the first year of the period and the last year of the period was $.2442. This shows that the average rate has not varied anywhere near as much as the criticism of those who have not looked into the subject carefully would indicate. The companies are always endeavoring to induce property owners to make such improvements in the risks and take such steps in the matter of fire prevention that the fire loss may be reduced, and when this is done the rates promptly respond to the improvements. One of the important organizations of the business is the National Fire Protection Association, composed of experts who have given much attention to this phase of the business and who are doing a great deal to bring about a more perfect system of fire prevention and fire resistive construction and thus directly serving the buyers of insurance indemnity.

The question of rating is a troublesome one, from whatever standpoint it is viewed. The ultimate rate has to be based upon the experience of the companies. Attempts have been made to find a better system and improvements have been brought about in this particular. The trouble has been to find a system sufficiently flexible to provide for increases and decreases without resorting to flat reductions or flat increases. Whenever it becomes necessary to impose a flat increase in order to increase the premium income sufficiently to provide for the fire loss, there is always friction. To avoid this has been the object of those fire underwriters who have given special attention to the question of rating. The latest attempt and the best, so far devised, is one prepared by Mr. A. F. Dean, of Chicago, entitled a "Mercantile Tariff and Exposure Formula for the Measurement of Fire Hazards," which is in quite general use in the Western States. This plan divides the cities and towns into six classes, the sixth class being villages which have no protection. An ordinary one story brick building in a town of the sixth class is the basis. This tariff does not attempt to name what is known as a basis rate. Given a basis building, the rates are worked out for each town or district so that when the time comes to readjust rates, they can be readjusted without the necessity of overturning an empirical basis rate. Given this basis in a town of the sixth class, the additions or deductions are made for good or bad features of construction. These additions are made upon what are known as the percentage plan. The rate for the contents is determined by

a differential added to the building rate. This tariff also includes an elaborate system for determining exposure hazards and charges. This is not the place to enter into a discussion of the Dean tariff or of any other fire insurance tariff, but the topic is briefly noted for the purpose of showing that the underwriters are trying to find the best possible means of formulating rates so that they will fit conditions and produce the least possible irritation when changes have to be made. The whole question of rates is exceedingly complex. While the ideal is far distant, progress is being made. To understand the difficulties surrounding the question, it is worth while to pause and take a brief glance at the problems of the rater.

A company is doing business in forty different commonwealths. The conditions are not alike in any two. There is a certain fire loss, the burden of which is to be distributed over these States. It must be distributed with regard to the total aggregate, but this factor is to be modified or, at least, influenced by a group of perhaps a dozen sections. The company has to take note of its entire business. The proportion of the fire loss to the different sections will have an influence upon the construction of the rates for that section, but it cannot be determined upon the section alone, because reference must be had to the whole. Then, again, there are almost innumerable hazards and the same general kind of a hazard is not just the same in all the sections. For instance, a mill in New England turning out the same kind of product that a mill in Illinois or a mill in Georgia does will not have the same physical factors that either of the other two have. The variations must be taken into account. This shows the complexity of the problem and the difficulties under which those labor who make the rates. When it is all taken into account, the wonder is not that the rates are unscientific or a rule of thumb, but rather, considering all factors, that so much progress toward a scientific basis has been made and so much fairness used in treating all the parties concerned.

The public complains of fire insurance rates more than of interest charges. The man who protests most volubly of his fire insurance rate may have borrowed money on a call loan. The bank notifies him of an increase of rate if the loan is not to be called. He pays the increase and makes no complaint because the bank simply followed the course of the market. The Bank of England increases the rate of discount when it chooses and every one acquiesces. It is done in

accordance with the demand. The companies increase their rate in accord with the increased loss demand and are styled robbers and conscienceless trusts. The two interests, banking and insurance, should be viewed from the same mental viewpoint, for each only obeys the laws of the financial world in increasing their rates.

One of the principal counts in the critic's indictment of the fire insurance business is that it is immensely profitable and, because of this fact, that the rates should be materially reduced. This is a serious charge and if the evidence supports the indictment then there is reason for complaint. The findings, however, must be in accord with the evidence, so that it is in order to consider the evidence which may be educed. In determining the profit, several factors must be taken into consideration: first, the amount of capital invested, and, second, the balance available for dividend distribution, after providing for all the liabilities. Third, in determining the dividend distribution, the hazards to which the capital is subjected must be taken into account. In determining this question of profit, the figures of the companies reporting to the New York insurance department will be used, as they appear in the official reports of the insurance department of that State. While these figures do not include all the companies doing business in the United States, so large a proportion of them are included that the results attending the operation of these companies are controlling as to the profit of the insurance business in this country. The first evidence to be introduced consists of two tables made up from the figures of the New York department. The first of these tables is for a single year, and that a profitable one. The second table is for a period of five years, in which the figures of the first table are included.

EXPERIENCE OF 147 JOINT STOCK FIRE INSURANCE COMPANIES, AMERICAN AND FOREIGN, REPORTING TO THE NEW YORK INSURANCE DEPARTMENT.

Premiums, Fire and Marine and Inland	$196,532,866	
Losses paid, Fire and Marine and Inland		$96,834,018
Losses outstanding—increase		1,757,642
Unearned premium reserve—increase		11,351,822
All other claims—decrease	2,858,179	
Actual expenses paid		72,506,480
Profit, 8.61 % of premiums		16,941,083
	$199,391,045	$199,391,045

FIVE YEARS, 1899 TO 1903, INCLUSIVE.

Premiums, Fire, Marine and Inland, five years....	$826,267,908	
Losses paid, Fire, Marine and Inland, five years....		$474,652,961
Losses outstanding—increase.....		4,458,502
All other claims—decrease.....	638,724	
Unearned premium reserve—increase.....		49,542,358
Actual expenses—five years.....		309,080,132
Loss, 1.31 % of premiums.....	10,827,321	
	$837,733,953	$837,733,953

These tables deal with the underwriting department of the business as distinguished from the investment side of the business. It will be noticed that the underwriting profit for 1903, the period covered by the first table, amounts to $16,941,088, or 8.60% on the premiums of $196,532,866. This covers a period of exceptional prosperity. The second table covers a period of five years, 1899 and 1903, inclusive. Here it will be observed, that the loss amounts to $10,827,321, or 1.31% on the premium income of $826,267,908. From this it will be seen that the profit and loss fluctuations of the fire insurance companies reporting to the New York department are very marked in the period of five years. Despite a profit of 8.61% in one of the five years, the account for the total period shows a loss of 1.31%. In computing the dividends earned upon the capital invested, only the American companies can be used, because the foreign companies are represented in this country by branches; therefore, we have no means of determining the proportion of the foreign companies' dividends which should be credited to American business. The average number of American companies reporting to the New York department during the five years was 116, and the average dividend on the capital was practically eleven per cent. From this, it will be seen that for the five years, the companies lost on a trade profit basis 1.31% on the premium income, while the dividends paid amounted to eleven per cent. These dividends were largely earned by the money which the State compels the companies to hold, in order to make their indemnity unquestionable. This is not a very large profit when all the risks written are taken into account. The risks in 1899 amounted to $17,797,572,061, and in 1903 to $22,007,442,608. Take the year 1903 when the companies had $22,007,442,608 at risk and had a capital of $56,102,875; for each

dollar of capital they had $392 at risk, which is a large hazard when it is taken into account that a few conflagrations would not only use up all the surplus which the companies have accumulated, but would also cause the retirement of many companies.

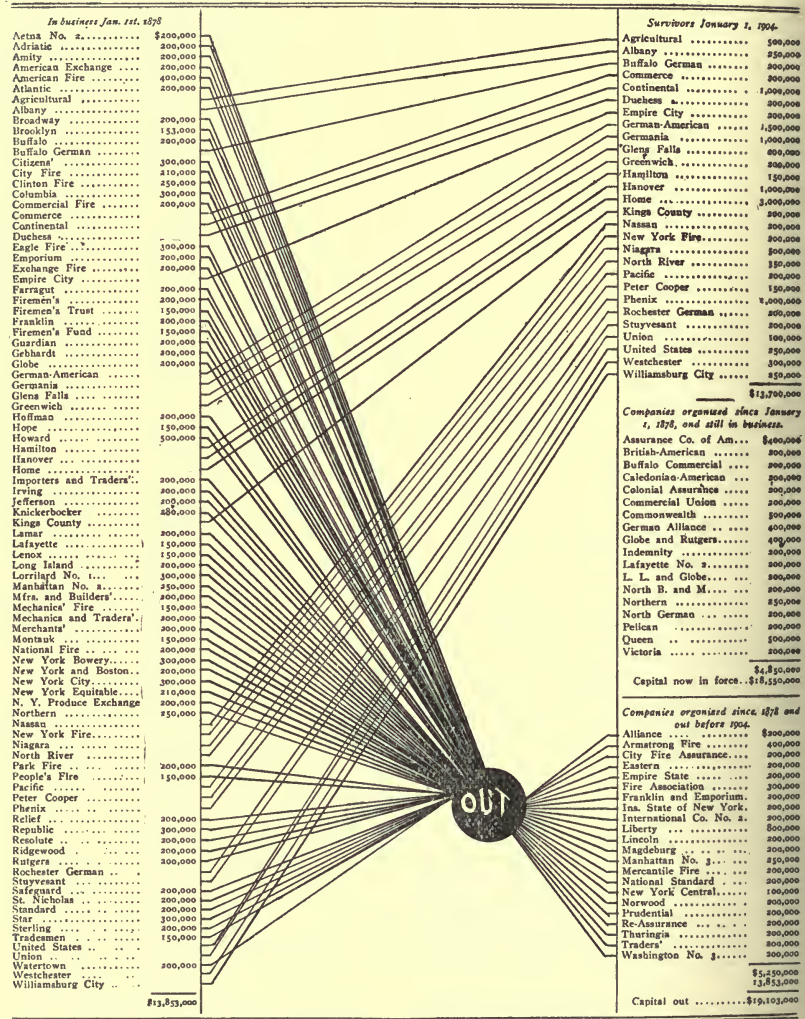
Taken upon this basis, 11% dividends do not seem to be an excessive return for the hazard to which the capital employed in the fire insurance business is subjected. It is urged, however, by those who estimate the fire insurance business a veritable gold mine, that the companies are piling up an unnecessary and useless amount of money in the surplus fund and that their claim that this accumulation of surplus is justified by what is termed the conflagration hazard, is unwarranted. It is said that conflagrations are of rare occurrence. Away back in the seventies, there was a conflagration at Chicago and another at Boston, but a gentleman, writing upon the subject of insurance last year, soberly stated that there was not much likelihood of a recurrence, owing to the largely improved fire fighting service of the country. It is urged that the provision against the possibility of conflagrations is simply a subterfuge on the part of the companies to accumulate large funds and thus have an excuse for not reducing rates. Some of these criticisms had scarcely been made public, before along came the Baltimore conflagration and upset all theories which attempted to reason that the day of conflagrations had passed.

It might be observed that the stockholders of some of the companies well known to-day were obliged, after the Chicago and Boston fires, to go down into their pockets and practically recapitalize the companies in order that they might continue as going institutions. In other words, the stockholders had to make from fifty to one hundred per cent. contributions in order that their companies might continue in business. The Baltimore conflagration and the subsequent investigations into the conflagration hazard of some of the large cities has revealed the fact that instead of the Baltimore conflagration being out of the ordinary, the wonder is that it did not come sooner and that the companies, in view of the great hazards in the congested centers of the country, have not made undue provision for guarding against conflagrations. When a company is compelled to pay a million dollars on account of a single fire, there is a good reason for the accumulation of large surpluses as a safeguard against conflagration losses. In the investigations into the conditions

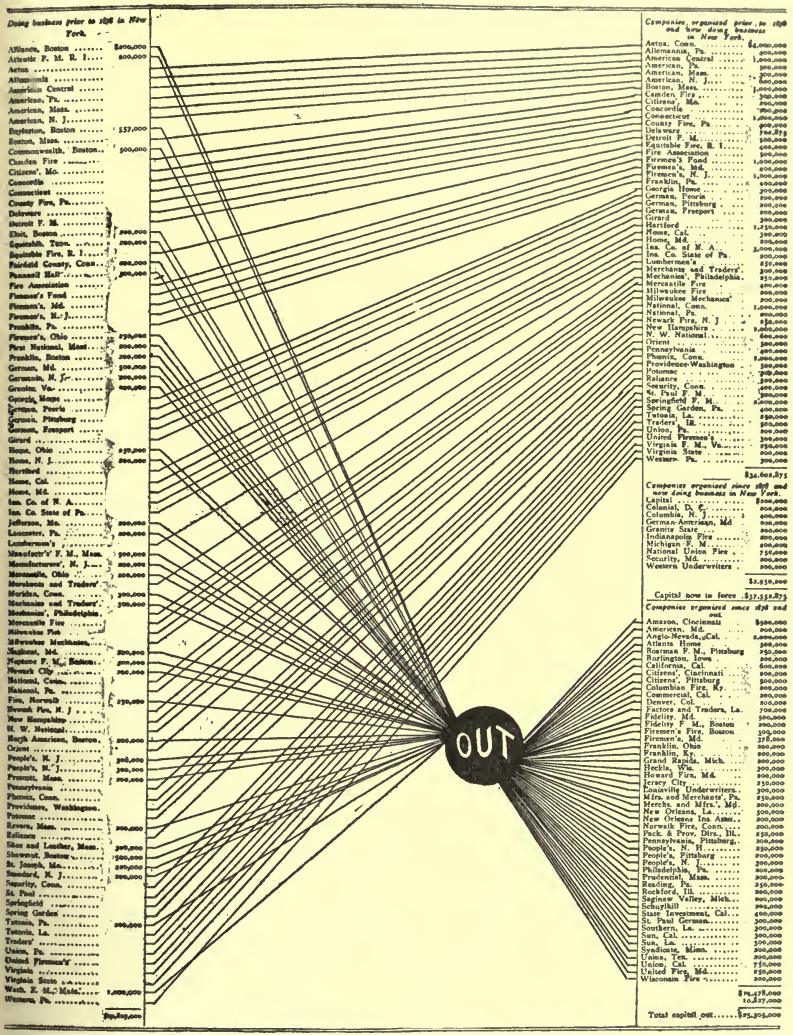
existing in our large cities, in addition to the officials of the National Board of Fire Underwriters, the United States Government participated through one of its specialists. In reporting upon the conditions at Pittsburg, this gentleman, after careful investigation, endorsed all that the fire underwriters have been saying in regard to the hazard to which they are subjected in the large cities, in their work of distributing the fire loss of the country. This cannot in any way be termed partial or biased evidence. It is evidence of a disinterested observer.

There is still another phase of this question of profit of the fire insurance business. In computing the dividends from the figures given in the report of the New York insurance department, only the going companies are included. No account is taken of those companies which have found the heat of the fire insurance business so great that they have been compelled to retire from the field. Now, in determining the profit of the business, account should be taken of the capital which has been forced out because of lack of profit. The two tables given herewith are very instructive upon this question of profit. These tables simply cover American companies, because, as has been said before, there is no capital basis for American branches of foreign companies. The tables cover a period of twenty-five years, beginning with 1878 and ending with 1903. In these tables are included, as going companies, several which, since the beginning of 1903, have been forced out of business by the losses sustained at Baltimore. These tables show at a glance how capital has been forced out of the fire insurance business. The first column of each of these tables shows the companies which were in business and reporting to the New York insurance department, January 1, 1878. The first section of the second column shows the small number of companies which have survived the test of twenty-five years. The second portion of the second column shows the companies which have come into the business since 1878 and are still in. The third section shows the companies which have come into the business since that date and have retired during the period.

NEW YORK COMPANIES IN AND OUT SINCE 1878.



NON-STATE COMPANIES IN AND OUT OF NEW YORK SINCE 1878.



Taking the table of New York State companies first, it will be noticed that there were ninety-two companies in business at the beginning of 1878. Of these twenty-eight were in business at the beginning of 1904. Forty companies have been organized since 1878, of which number eighteen are still in business. This gives total retirements since 1878 of eighty-six companies, with a capitalization of $19,103,000. The second table shows non-state companies reporting to the New York insurance department. Ninety-four companies were doing business in New York at the beginning of 1878. Of these fifty-eight remain, while thirty-six have gone out of business. Sixty companies have entered the State since 1878, of which ten remain. Eighty-six companies, in all, have been in New York during the period and are now out, representing capital amounting to $23,305,000. The total capital of companies reporting to the New York department which have gone out of business in the past twenty-five years is $44,408,000. Against this is to be placed the $56,102,875 of capital now represented in the State of New York. Any fair consideration of the profit question must take into account this retired capital. These companies went out of business because it was not profitable to remain in the business. If 11% be considered a fair profit on $56,102,875 of capital now engaged in the business, what shall be said when the capital is increased by $44,408,000 which has gone out, making the total $100,510,875 of capital which has been engaged in the insurance business during the twenty-five years. It is impossible to figure out just where this would place the dividend question, because it is not possible to here compute the length of time that each of these companies did business. Sufficient, however, is the fact that about three-fourths as much capital has gone out as still remains.

Farther evidence along the line of profit is to be had in the fact that during the marvelous industrial expansion of the past few years, a very small amount of money has been put into the insurance business. A very large amount of capital which has been invested in industrial enterprises did not begin to earn 11% dividends. If the business has been so marvelously profitable, capital would have engaged in the business because capitalists are always looking for investments which will earn large dividends with the minimum amount of hazard. Only a few million dollars at the outside have been invested in the fire insurance business in the past five or six

years, while several enterprises have been floated with a capitalization exceeding the entire capitalization of all the American fire insurance companies reporting to the New York insurance department.

The evidence seems all to tend to the support of the proposition that the fire insurance business has not been and is not unduly profitable to the capital engaged in it. It farther appears that the surpluses which the companies have been accumulating as a bulwark against conflagration waves are not to be considered in any sense a withholding of profits which belong to the public by reason of undue prices. On the other hand, these accumulations of surplus appear to be what they are claimed to be, simply a wise precaution on the part of the men managing the corporations to insure that the indemnity they sell shall be worth under all circumstances what it purports to be. Had the fire insurance companies reporting to the New York insurance department distributed their surplus down to an amount which would have been proper in a less hazardous business, many of the companies would have been forced out by the Baltimore conflagration. Farther evidence of the wisdom of this accumulation of surplus may be found in a comparison between the number of companies forced out of business through the Chicago and Boston fires and the number forced out through the Baltimore conflagration. In the earlier days, the companies operated with a smaller surplus, and, as a consequence of insufficient safeguarding, they were unable to stand the strain of a great fire. The managers learned a lesson from those fires and so were in much better position to weather the fire of last winter.

As was stated in the beginning of this paper, what the public desire in the matter of fire insurance indemnity is unquestionable value. Were it otherwise, business could not be conducted, because the fire insurance policy enters into almost every transaction of any importance in this country. As between lower rates and value, there is scarcely any business man in the country who would hesitate about choosing value. He may think from a cursory examination that he is paying too much for his indemnity, but he would rather pay more than less if the less lessened the value. The companies are striving to reduce the expense of transacting the business, but such reduction is difficult to effect and it is not probable that any very large reduction can be expected in the immediate future. Capital is entitled to a fair remuneration for its use and the risks to which it is subjected,

and taking the capital which is in the business and which has been forced out of the business, through lack of profit, and the farther fact that capital is very slow to engage in the fire insurance business at present, it cannot be fairly claimed that the profits of the fire insurance business are unduly large. The business is of wide scope, and the man in the border sections of the country has the privilege of buying insurance at home just the same as the man in the large centers. Taken by and large, with all its shortcomings, with all its problems, with all the hazards covered by it, the growth and development of the fire insurance business is one of the striking features of American finance, and has contributed more than can be enumerated in a paper like this to the general prosperity of the country.

F. C. Oviatt.

Philadelphia, Pa.

THE TRUE BASIS OF FIRE INSURANCE

In a recent number of THE ANNALS, the undersigned sought to show that "Underwriting profits such as are insisted upon by the insurance companies are in the nature of extortion." In support of this assertion, the condensed Income-and-Outgo account of the American fire insurance companies reporting to the Insurance Commissioner of Connecticut was, *inter alia*, cited from this official's public report. The figures quoted were those actually sworn to and presented by the companies themselves. Yet they were referred to by an organ representing the fire insurance interests, in this wise: "He (the author) has tried to assimilate the Connecticut Fire Report for the present year, but his maldigestion has produced the following astonishing net return, which shows a profit so large that even the sellers of certificates in gold mine probabilities could not duplicate it:" (Here followed a reproduction of said Income-and-Outgo account.)

The astonished apologist whose words have just been quoted goes on to say that "the experience of all companies with assets of $1,000,000 or over" during "the year 1898 showed an underwriting loss of 1½%; 1889, 13¾%; 1900, 4¼%; 1901, 4½%. The balance for 1902 was in the companies' favor, showing an underwriting profit of a fraction over 4%."

Let us look at the results of the operations of the Joint Stock Fire Insurance Companies doing business in this country, and let us deal with those very same years when the "million dollar companies" saw such hard times. Yet first, let us remember the favorite trick, exemplified above, of the Fire Physician: it is his habit to play upon your relative ingenuousness, and whilst you, in broad general terms, talk of fire insurance "business," he will discuss mere "underwriting." Very carefully does he insist on this casuistic distinction between "underwriting" and the other uses of money furnished by the assured; for it is in this distinction that he finds your undoing. You would not seek long for the retort destructive, if an innkeeper talked of his "losses" in a vein such as this: "With few exceptions, every meal I serve has meant a loss—in fact, I shall have to raise the price of meats 25% to every guest. However, the glass of beer will continue to be sold at 10 cents." You would know that because

his till is full of money from meals on which he makes but 10%, he can pay cash for kegs of beer on which he makes 300%. Just as illogical is it for the fire insurance companies to say: "with few exceptions, every time we do any underwriting we do so at a loss. In fact, we must raise rates 25%. However, our loans on first lien mortgages will not be dearer."

That these words of the underwriters may be viewed in all their sophistry, it should be remembered that the premium paid in by the assured is used for many purposes other than mere underwriting. You, the assured, pay a million dollars to the insurers, and, in return, receive promissory notes (called policies) collectible in certain contingencies. What happens to that million dollars? Does it lie dormant and unproductive? Patiently useless, waiting on contingencies, which make it refundable? Not for a minute! It goes immediately into real estate, loans on collateral security, "brisk sales on the advance," commercial paper, call money, usury, and other forms of banking—in fact, into the various channels in which clean, liquid gold can flow with profit. However, all these channels for gold have no direct connection with fire or "underwriting," and though these secondary uses of this aforesaid million dollars of premium-money may produce a hundred thousand dollars per year, this usufruct will be masquerading as "investments," and will be invisible in the accounting of your mere premiums. Further, if you, the assured, have been unwarrantably overcharged, so that the great bulk of your premiums is still intact when all your fires have been paid for, the overcharge will not be carried over to the credit of next year's "underwriting" account; no, henceforth and forever, it figures entirely in the surplus funds, its employment swells the "investment" account and that, too, is unconsidered on the day when the guileless policyholder asks whether his premium bills are not much too high. Some apologist or other merely tells him of the "underwriting" results and asks him to reflect in apologetic humility upon the "underwriting" profit "of $\frac{46}{100}$ of 1% for the last 10 year period." For the kitchen accounts have nothing to do with the bar!

To return to those niggardly years beginning with 1898; and let the *ipse dixit* of the Superintendent of Insurance of the State of New York appear.

The Fortieth Report shows "the nature of the receipts" of the Joint Stock Fire Insurance Companies "of the United States and

United States branches of Foreign Fire Insurance Companies of other countries authorized to transact business in this State, for the year ending December 1, 1898." These receipts are tabulated upon pages XCV to C of this Report. The various amounts of income are correctly counted, in accordance with the first rules of elementary arithmetic, and the Superintendent of Insurance gives us the resultant "Total receipts in cash." Since then he has given us every twelve-month the corresponding figures for succeeding years. By plain copying from each of these consecutive reports, the following table is obtainable:

"Total Receipts in Cash."

Year 1898	$139,209,525
1899	146,644,663
1900	158,289,098
1901	175,588,073
1902	221,165,307
1903	213,695,274
Total for the period	$1,054,591,940

In just the same way, the very next tables in each of these reports show the "Nature of the Disbursements." Each of the main items is given and then the report, still adhering strictly to elementary arithmetic, gives the "Total Disbursements." So that, again, by plain copying the following table is obtained:

"Total Disbursements."

Year 1898	$131,558,044
1899	150,662,824
1900	155,102,232
1901	163,907,522
1902	177,791,164
1903	182,218,555
Total for the period	$961,240,341

As will be shown presently, the balances of shipments of money between offices here and the home offices in Europe are not included in the above disbursements. These balances add about $10,000,000 more, bringing the total disbursements for the years given up to $971,240,341. If we compare these amounts, we find that the "Total receipts in cash" have been in excess of the "Total Disbursements" for the last six years, 1898–1903, inclusive, by more than $83,000,000.

With absolute impartiality, the Superintendent of Insurance for the State of New York, has merely reproduced the individual sworn reports of the several fire insurance companies themselves, each giving under oath "a just, full and true statement of the affairs and condition" of each company on the 31st of December of each year. 145 Joint Stock Fire Insurance Companies are represented in the aggregate of 1903.

In order to understand the full value of these results one must see what items are comprised in these "total receipts in cash" and "total disbursements." For purposes of illustration the last year (1903) is taken. From page C (Recapitulation) and CVI (Recapitulation) we gather the following totals under the several heads:

INCOME	
Premiums written	$196,532,867
Interest and dividends	11,581,031
Rent	1,371,564
From other sources	4,209,811
Total income	$213,695,273
OUTGO	
Losses	$96,834,017
Commissions	41,888,572
Officers' salaries	12,035,013
National, State and local taxes	5,474,157
DIVIDENDS	7,124,425
Other disbursements	18,862,371
Total disbursements	$182,218,555

To this Outgo there should be added the profits of the Foreign Insurance companies, represented by the "balance of remittances to and from Home offices" in Europe. This sum was about $3,000,000, and corresponded to the dividends of American companies, although it became dividends only after reaching London and other home cities. Adding this amount to the dividends, we get the "total disbursement," $185,218,555, and an excess of income over disbursements of every kind amounting to $28,476,718 for the calendar year 1903. By reference to page LXXIII of the same report (New York

State 45th Report), it will be seen that the "paid-up capital" of the American companies together with the "net assets or U. S. capital" of the Foreign Companies amounted, in the aggregate, to less than $80,000,000. So that, despite the fact that 30% of the total disbursements went to "commissions" and "officers' salaries," these companies distributed over 12% dividends on the aggregate capital and carried forward an extra 35% on the whole capital invested in the business! These last six years, then, four of them "starvation years" produced $83,000,000 of excess income over disbursements—104% on the entire cash capital, and that, *after* deducting yearly over 11% for dividends and fabulous sums for commissions and other wild extravagance!

It is no answer to such accusing facts to be told that many companies lie in their graves: some were smothered that the survivors might claim a bigger share of the monopolized spoils; others, conceived in indignation and born in anger, were bludgeoned in their frail infancy; more were choked by their excessive greed, eating poisoned fruit; and still more disappeared, bled to death by faithless servants. Diamonds, to-day, given the cost of production, are extortionately dear, though hundreds of mines succumbed to the Beits and Cecil Rhodeses. So it is with fire insurance.

The average business man, if given time and opportunity further to analyze the various items composing the "total disbursements" of the fire insurance companies under review, would be dumbfounded on seeing the mountain of extravagance, of needless and crying waste displayed year after year. He would be amazed to find that conditions which long ago called for a remedy of an immediate and radical character have been perpetuated and aggravated until to-day they are worse than they ever were. The result is seen in the fact that in 1903 the average cost of fire insurance in the United States was much higher than at any time in the preceding half century. And the burning shame of it all is, that all the waste, all the extravagance, all the greed and folly, all the incendiarism and criminal negligence has to be paid by the honest, the vigilant and the diligent, who do not, and cannot afford to, burn down.

Will conditions improve as far as the public is concerned? Whilst matters are worse to-day than ever before, there is as yet no indication that the necessary radical and sweeping changes which alone can bring alleviation, if not a remedy of the evil, will spring from

the companies themselves. Who among them should seek a change? The stockholders? $10,000,000 dividends last year, plus $28,000,000 added as a surplus. The management? "Officers' salaries," $12,000,000. The brokers? $42,000,000 for "commissions." The hangers-on? $19,000,000 for "other disbursements." Looking from their point of view, does any sane man believe that the guests at this Gargantuan feast are going to work for a Lenten fare just to benefit the business man? Why, it would be utterly unbusiness-like, wildly chimerical, absurdly altruistic for them to do anything of the kind. The last thing that the fire insurance companies will do will be to write a 1 for every 3 in the disbursement column. Why should they grow perturbed about the outgo? The public always foots the bills! Is it Baltimore you think of ? Now that all the policies have been honored and paid for, the total loss thereunder is less than $30,000,000. The stockholders have had to disgorge last year's surplus and may be asked to get along with a beggarly 6% dividend for this year, but in the meanwhile they are buying some new traps to catch back all the loss; and catch it they will!

Is there anyone knowing the actual conditions of fire insurance and of our cities throughout the country, who can honestly aver that, given a sincere desire on the part of the companies they could not halve the insurance bills of the country? If they seriously contemplated such a reform, could they not, for instance, rid themselves of that vampiric horde that exclaims, "You must do business in our State through us, and us only, and our charge is $42,000,000 per year?"

No one, too, who has considered the subject dispassionately can doubt that if the heads of the insurance companies chose to adopt forceful, intelligent measures, strictly within their legal and constitutional rights, they could, by concerted action, within a reasonably short time, so far remove the causes of fire and its extension as to make the chance of conflagrations exceedingly remote, and the yearly fire loss of the country less by a half. For instance, if only half of the $42,000,000 which was squandered last year (mostly to renew policies, which would have been renewed anyhow) had been devoted to improving inspections and to the thorough cleaning-up of risks, every cent thereof could have been saved in reduced fire loss, immediate and deferred. As it is, the inspection of the Joint Fire Insurance offices, in innumerable instances, are of

a solemnly farcical perfunctoriness only comparable to the inspection of trunks passing through certain of His Majesty's Customs! Whilst dozens of glaring and startling deficiencies in such "thorough inspections" could be cited from casual personal observation, the following excerpt from this year's "Report of the Insurance Commissioner of Connecticut" (39th Report, page XXIX) is official. With reference to bad conditions discoverable, one reads: "For example, in inspections made last year of 83 buildings, all contiguous in one of the largest cities, 17, or about 20%, were found to be in such dangerous condition that it was necessary to serve notices on the occupants that same must be remedied at once." Again, the Report of the Fire Insurance Patrol of the City of Philadelphia, for the year 1903, says (page XI): "During the year, the Patrol added to its work an Inspection system to cover the congested districts; work was commenced November 10; * * * many defects were found; * * * As a matter of interest to our members some of these defects are mentioned:

"Gas stoves, showing fire under same, 152; gas leaks, 16; gas brackets, swinging, showing fire marks, 56; gas jets, not properly guarded, 78; gas jets, close to stock, 85; gas bags for gas engines, defective, 2; Bunsen burners, showing scorched woodwork, 6; sawdust under lighted gas stoves, 2; and numerous other defects arising from improper use of gas. Broken windows, 590; steam pipes, defective, 75; steam pipes contact with stock, 72; rubbish on steam pipes, 63; there were also numerous defective flues, bad arrangement of steam pipes, electric lights, open grates, stoves, heaters, etc., etc.; also many cases of hot ashes in wooden boxes, rubbish, and general bad policing of risks."

Immediately preceding the paragraph just cited are these words: "During the last five years the results in this district (Congested District) show that 42% of the loss of the whole city occurred there, * * * while but 25% of the premiums came from there * * * These figures, of course, show a heavy loss for the period."

Here is a small district of Philadelphia that for at least five years shows "a heavy loss," "42% of the loss of the whole city," and yet, "work was commenced on November 10" (1903) and, in a few days hundreds of dangerous fire-inviting conditions are discovered right in the heart of the conflagration district!

When these things happen under the very noses of the fire officers,

it is easy to understand why conditions of the gravest danger are to be found at remoter distances, to the constant peril of the community and for the perpetuation of inordinate fire bills.

The fire insurance officers could insist on profits due to fire prevention, but, in the main, they choose to make money by permitting big losses and raising rates afterwards. As is their inspection of cities, so is their inspection of men. Do they shun a man who, heedless of his own danger and scornful of the perils to his neighbors, refuses to adopt the most elementary rules of safety? Do they compel him to protect his premises and its contents? Seldom; and then, in a half-hearted fashion! As a rule, conditions which invite fire and render its spread almost certain cost sometimes less sometimes no more, sometimes but a little more than conditions which render the spread of fire almost impossible.

Every underwriter knows that science long ago gave us automatic devices, unfailing in action, whereby a flood of water automatically plays upon a fire breaking out anywhere in a building, effectually preventing its spread and often extinguishing the flames. These devices are so cheap that equipment companies will install them free of extra cost to the insured. Were the owners of warehouses and stocks in Baltimore, where values under single roofs ran into a million dollars without being thus protected, refused insurance because of obvious negligence so inexcusable as to be criminal in its shortsightedness? Not at all. Was this wholesale district, peppered with dozens of instances of such foolhardy recklessness, placed under a ban, compelled by utter inability to procure insurance, to install automatic fire extinguishing appliances? Not at all. No more than they are in dozens of cities that can be named. Due notice, followed in the event of general apathy by one emphatic "No insurance to offer" all along the line, could have compelled Baltimore, inside of a year, to make itself immune against sweeping conflagrations. The refusal to accept the local premiums for a year would have saved the companies and the public $30,000,000 in indemnity, and would have meant as a reward for a year's abstinence, a profitable business for years after the ban had been removed.

It will be urged that such joint action could only be reached as the result of conspiracy, punishable at law. By what process, forsooth, do a hundred fire offices in a city so stifle competition that their uniform charge for insuring certain merchandise lying in a

particular building is, say, $1.7639 per $100—the price not varying half a cent, though you rap at the doors of the hundred underwriters? By conspiracy, of course. And conspiracy for obvious public benefit could not be more reprehensible than for covert public pillage. But the more dangerous the conditions, the higher the premium; the higher the premium, the greater the commission, and the greater the scramble among the agents to induce their home offices to issue dangerous policies. Apart from adequate inspections, moral and physical, and the conflagration cure, is there anyone competent to speak who believes that the losses due to isolated fires could not be materially reduced by heroic remedies applied after a fire for the purpose of preventing recurrences. For instance, fires happen every year, in 500 school houses, 600 churches, and 1400 hotels, and yet the conditions which produce these fires are being perpetuated. Why? In the greatest measure, because the fire insurance companies contemplate such visitations with imperturbable equanimity! The losses come out of the pockets of those who do not burn down. All that the brokers' principals do is to see that enough people with property relatively immune against fire pay into the pool enough money to refund the losses of those sure money-losers who bribe heavily for admission to the same pool.

Yet, after all is said and done regarding the administration, it is the *system* of insurance that, in the main, is defective. Born long ago under conditions to which it was then far better adapted, it has withstood the commercial revolution, the industrial upheavals, and, as a whole, has stood unchanged, stubborn and unbending, while the whole business world about it was being transformed. Unless the ferment within is already at work producing changes not yet visible outwardly, it looks as if the revolution in insurance methods will have to be wrought through external agencies. Present conditions cannot continue long after the business man realizes that the figures in his insurance bills cover mostly disbursements for criminal negligence and apathy, greed, incendiarism and a thousand preventable causes of fire and conflagration, and while the genuinely unavoidable cost of fire could be covered for a tithe of what he now pays. The whole business community is wretchedly served and badly abused in its confidence; it should work out its own salvation and not wait to have it worked out by others. There is furthermore a large section of this same community that should seek special

relief because it can get special relief from this evergrowing burden and abuse: it is that section which, besides being sound and upright, financially and morally, has its property in such a condition that the probability of fire is much below the average—the class of insurers who do not burn down and who, under existing conditions, pay for the losses of those who can afford to burn down, who do burn down—in fact, pay the whole insurance bill of $200,000,000 a year. It is that class of hotels, of newspaper plants, of furniture houses, of breweries, of clothing makers, of hardware dealers, with the excellent record who to-day are charged a "basic rate" by grouping them with those who have the bad record and will continue to have fire.

What is to prevent the elect in these industries and a dozen more from forming mutual fire insurance companies, membership in which would be confined solely to persons engaged in the same industry, known to each other as prosperous and of good character, with premises of a high standard viewed from the point of fire prevention, and scattered widely throughout the United States? Such associations would begin, preferably, by assuming but a portion of the risk of the members, the remaining portion being insured through the old companies. As the funds of such associations grew, the amount of the policies of the several risks could be gradually increased until in time all the indemnity needed would be furnished. Space is lacking here to show in detail how such a plan can be made most effective, to indicate what difficulties will have to be surmounted, what safeguards adopted, what antagonisms overcome. Yet certain principles are fundamental to deserved success: the excellence of the mutual plan must not be permitted to serve as a shield for the selfish efforts of unscrupulous promoters and managers. Every plan, also, should fix a limit upon expenses of management compatible with efficient administration: 20% of the premium income should be ample for this purpose. Another principle which must be closely watched involves the indispensable scattering of risks, so that no two might succumb to one and the same fire. To carry risks crowded into one district or city is to invite disaster by a sweeping conflagration. The chain of houses so formed should have one common industry as a bond of union. The failure to observe these elementary safeguards has been the cause of the collapse of many a mutual company.

Given intelligent management and loyal co-operation among the members, there is scarcely an industry in this country which cannot

form such associations for mutual benefit and thereby reduce its present cost of its insurance 50 to 70%.

To many it will be a surprise that such associations have been in existence on an extensive scale in this country for over fifty years and have demonstrated that there is nothing visionary or impracticable about the plan of Mutual Insurance against fire loss. In the year 1835, Zachariah Allen of Providence, R. I., organized the Providence Manufacturers Mutual Fire Insurance Company. In 1848, the Rhode Island Mutual Fire Insurance Company was established. These companies were associations of manufacturers engaged mostly in the textile industries. To-day there are over thirty of such companies with headquarters in New England and Philadelphia. True to their original intent, their membership is still confined to mills and factories; some of these companies specially exclude certain classes of property whilst others admit them. In view of their membership they are popularly known as the "Factory Mutuals." These companies are banded into one association for all purposes of common utility and for the greater economy of management. Insofar as manufacturing properties are concerned, they have been instrumental in revolutionizing insurance, and they have developed the science of fire prevention to a degree of perfection which, to the lay-mind, must be amazing. Although they will insure nothing but mills and factories, although the consequent inherent hazard of fire is admittedly greater than the general hazard of the community at large, nevertheless they have succeeded in furnishing their members with the soundest, yet cheapest, fire insurance. They have done it by enlisting self-interest in the prevention of fires. They have striven to anticipate fire rather than to cure it. There can be no more eloquent tribute to the results thus obtained by the Factory Mutuals than to say that the cost of their insurance is but one-eighth of the average cost of insurance in this country last year.

Individual company results still more brilliant than these could be cited, but it is a fairer illustration of the system to indicate the general results obtained. The joint business of these companies for the last year obtainable is indicated below. Space is lacking for more than this summary, as the whole subject is too big to be dealt with, save specially. It should be remembered, however, that the plan pursued by all these companies is to charge a certain equitable

premium on the issuance of policies, to debit this amount with its proportion of expenses and losses, and then to refund to policy holders as "dividends" such portions of the full-earned premiums as the respective Boards of Directors deem advisable to return.

	1902.
Amount of insurance carried	$1,253,358,000
Net premium thereon	9,688,956
Average gross cost of a policy for $100 (before dividends)	77½c.
Total losses incurred	979,741
" expenses incurred	617,954
" taxes paid	134,495
" disbursements	1,732,190
Dividends on premiums of terminated policies	7,343,261
Average rate of dividend of all companies	81.45%
Average net cost of a policy for $100 (after dividends)	14.35c.

These figures show that the average net cost of insuring the mills and factories on the mutual plan was 14.35 cents per $100 in 1902. By contrast, the average cost of insuring the general hazards of the country under the system pursued by the Joint Stock Insurance Companies was over 115 cents per $100 in 1902 and over 118 cents per $100 in 1903.

The full significance of the startling disparity between these results need not be indicated here. In the foregoing pages the reason for such disparity has been partly shown. The lesson to be derived from such comparative results should not go without practical application by the best representatives of the mercantile community: if it is possible and highly profitable for hosiery, shoddy, rubber, paper, shirt, felt, carpet, hardware, silk, cotton and other kinds of mills and factories to insure on the mutual plan for 14 cents per $100 per year, why should this example not be followed by the most enlightened and most intelligent members of the defrauded and plundered mercantile community? If the mills and factories, by the introduction of common sense into fire insurance, can economize some fifteen million dollars a year, why should these methods not be copied wherever they are susceptible of application?

WALTER C. BETTS.

Philadelphia.

LIFE INSURANCE BY FRATERNAL ORDERS

Organization for mutual assistance is of great antiquity and wide distribution. Societies of this kind have not always been as sharply differentiated as they are to-day. In common with other institutions they have emerged from a comparatively indefinite similarity to a comparatively definite heterogeneity, and have doubtless yet to undergo further development.

The first systematic effort at mutual co-operation along altruistic lines was in the formation of the great trade guilds of the Middle Ages. As the guilds degenerated and gradually outlived their usefulness, the need of substitute organizations became apparent. To the recognition of this need we may trace the rise of the Friendly Societies of Great Britain. Of these, it will suffice to consider a typical specimen, for which purpose I have selected the largest and strongest, the Manchester Unity, I.O.O.F.

This great body, with a present membership of over a million, is composed of and governed by the laboring classes. Local lodges exist in all parts of the country and manage their own affairs in a thoroughly democratic manner. They are as independent as the New England town, being, like the latter, subordinate to a central body of strictly limited authority, to which they send representatives. In the local lodge itself one member is as good as another and discussion is perfectly free. The officers of the central governing body are elected annually, with the exception of the Secretary, whose tenure is permanent.

The founders of the Unity failed to appreciate the nature or magnitude of the financial problems involved in their undertaking. Although the plan of the society contemplated the payment of definite sickness and funeral benefits, no attempt was made to calculate adequate rates of contribution. Aside from the fact that such a calculation would have been impracticable for lack of a sufficient volume of reliable data, its importance was not recognized.

There existed in Great Britain the same feeling that we find so prevalent in our own country: namely, that "Fraternity" could be depended upon to overcome all the evil results of vicious business habits. That Fraternity is capable of accomplishing much can be

doubted by no careful observer; but the tendency to regard it as a panacea is sure, soon or late, to lead to disaster. This the Unity learned in time by the teachings of bitter experience.

Organized in the year 1812, the Unity grew and flourished for several years, because its rates sufficed while the members were all young and mostly in good health. In fact, many of the lodges became burdened with accumulated funds, of which they proceeded to relieve themselves by exploiting the social virtues. They little realized that these very accumulations formed their only safeguard for the future when, on account of the increasing age and infirmity of their members, the claims should become too heavy to be easily satisfied from the proceeds of current collections.

After some thirty years of this loose, improvident operation, it became abundantly manifest to some of the more thoughtful members that the Unity had traveled far on the broad and pleasant road that leads to destruction. Then began an agitation which threatened the very existence of the society through the secession of individuals and entire lodges, but which resulted in a thorough investigation of its past experience and the formulation of adequate rate tables for future use. With the adoption of these tables in 1854, the Unity opened a new chapter in its history which thenceforth has been an uninterrupted record of growth and prosperity. One more reform needed to be, and was, instituted in the decade ending in 1870, by which year quinquennial valuations had become compulsory.

The record of the Unity demonstrates that it is quite within the capacity of the laboring classes to conduct a great business on democratic principles. It is an object lesson which justifies a most optimistic attitude toward future industrial conditions. As such, it has attracted the favorable attention of the actuaries, economists and legislators of Great Britain, all of whom seem to have recognized the fact that they were confronted with a phenomenon of most hopeful import. It is regrettable that a similar movement in this country has received far less sympathetic treatment from experts and officials. Some reasons for this difference of attitude will be given later.

Before leaving the subject of Friendly Societies, of which the Manchester Unity was selected as a type, some mention should be made of the exhaustive investigation of their plans and circumstances which was conducted between the years 1870 and 1875 by a royal

commission. The report of this commission is in every respect a model document, and the recommendations therein contained were not only eminently practical, but were admirably calculated to assure safety and permanence to institutions which had accomplished a vast amount of good and had sinned chiefly for want of light. In 1875 the recommendations of the commission were incorporated in an act of parliament which places the stamp of government approval on such societies as take advantage of its provisions and comply with its requirements.

In the United States, prior to 1868, there were no organizations closely resembling the British Friendly Societies. It is true that secret societies, such as the Freemasons and Odd Fellows, and trade unions were accustomed to assist distressed members, but such work was more or less incidental and not the main object of their existence. Furthermore, the help so extended partook of the nature of charity; that is, it was dictated by sympathy or fraternity instead of by contract.

In 1868, however, John J. Upchurch, a Pennsylvania workingman, founded the Ancient Order of United Workmen, in the plan of which mutual insurance was dominant, although the features characteristic of secret societies in general were by no means ignored. In various centers in the State were organized local, self-governing lodges which were entitled to send delegates to the grand lodge at Meadville, the central legislative body, the elected officers of which managed the financial affairs of the society and compelled obedience to the by-laws on the part of the local bodies. In fact, the grand lodge, although a representative assembly, was the real source of authority, the self-government of the local lodge being based on sufferance rather than on right.

As the society spread into adjacent States and additional grand lodges resulted, the supreme lodge was organized at Meadville in 1871, for the purpose of harmonizing the work. Its function is advisory, rather than authoritative, the grand lodges having declined to surrender their independence and having reserved the right to repudiate their allegiance to the supreme body.

The rapid growth of the Workmen, indicating that it met a popular want, of course inspired imitation, and to-day there are in the entire country upwards of two hundred fraternal beneficiary societies. They all have representative government, the lodge

system and ritualistic ceremonies; in fact, these features are required by the statutes of most of the States. In respect of benefits offered and rates charged, they exhibit all the picturesque variety of which the untrammeled human fancy is capable. That there need be any particular relation between the respective values of the benefits promised and of the contributions charged never seemed to occur to the founders of these societies. In fact, all suggestions of that nature were brushed aside as smacking of theory and, therefore, unworthy of consideration by practical men who had competition to meet and could guess just as clearly as their rivals.

In the seventies, a great impetus was given to the formation of fraternal beneficiary societies by the failures of old-line life companies and the startling disclosures as to the methods followed by some of the most prominent among them. A description of these methods will be unnecessary. They are fully set out in the reports of the Insurance Departments of Massachusetts and New York, published in the decade 1865–1875. Extravagance and mismanagement ran riot; self-interest dominated official conduct and utter recklessness characterized the investment of funds. There was a repetition in this country of the methods adopted in England which disgraced and demoralized the British Life Insurance business. In Martin Chuzzlewit they have been depicted for all time by the master hand of Charles Dickens. Suffice it to say that the exposures, principally by the New York and Massachusetts Insurance Departments, so seriously affected public confidence in the life companies in America that the business of the latter remained subnormal for years thereafter. In fact, it did not regain its former proportions until after the passage of stringent inspection laws by several of the State legislatures.

The full tontine policy, now prohibited, but once common, by which the lapsing member forfeited all surplus payments made to the company over insurance cost and expense of management, was productive of great dissatisfaction amongst those who had been compelled by adverse circumstances to discontinue policies which had often been kept in force for years, and to the credit of which there were substantial reserve accumulations, to say nothing of deferred dividends. To these disgruntled victims of old-line methods, the siren voice of the fraternal beneficiary society was sweet indeed. Within the sacred precincts of the lodge room they could denounce to a

sympathetic audience the "outrageous treatment" to which they had been subjected by a "soulless corporation" and could resolve to demonstrate to the world the possibility of combining the business of mutual insurance with the practical exemplification of the golden rule. The idea was a noble one, albeit somewhat too elevated for present-day human nature and insufficiently enlightened by a knowledge of the cost of insurance,

To fraternalists the mathematical reserve on life policies has always been a more or less unholy mystery. Having, in the old tontine days, seen this accumulation confiscated in the case of lapsing members, it was a natural inference that a similar course was followed in respect of the dead. Obviously these millions of reserve bore a sinister aspect and represented an unnecessary burden on the helpless policy holder. Thus originated the popular battle cry of "Keep your reserve in your pocket."

For many years the societies remained true to their principles and seduously avoided accumulation and only with the utmost reluctance did they begin to abandon the practice under the irresistible pressure of experience.

In the oldest societies, such as the Workmen, business principles were at first completely subordinated to the demands of fraternity. No discrimination was allowed because of age, occupation, residence or physical condition—all members were on a perfect equality. That such methods did not wreck the society before it was fairly launched is conclusive proof that the fraternal tie is more than an empty sentiment.

Slowly, but none the less surely, the faulty system of the Workmen has been mended until now the supreme lodge urges with all the force at its command the adoption of a plan prepared under the guidance of a competent actuary. In other words, here, as in Great Britain, the common people have demonstrated their capacity to manage large enterprises on democratic lines. To one who has the welfare of humanity at heart, few signs could be more encouraging.

Few societies have imitated the Workmen's original example of a uniform rate of assessment at all ages. We find the vast majority adopting the system of rates graded to admission ages and remaining level thereafter. Within a few years, a society so operated would find itself composed of groups, corresponding to entrance ages,

each containing members of various ages paying the same rate. In short, a compound Workmen plan had been substituted for the original simple device, with little or no practical advantage.

Of one society, the National Union, special mention should be made, because of the fact that it started on the step-rate principle, the rates being graded by ages and each member being required to pay the rate corresponding to his attained age. This plan was defective because of the fact that the rate schedule stopped abruptly at age 65, no adequate provision having been made for members who should pass that point. It is particularly gratifying to be able to say that this weakness has now been overcome through the efforts and upon the initiative of the members themselves.

In course of time, the older societies began to experience difficulties. In spite of their most strenuous efforts, they found themselves compelled to levy assessments more and more frequently, with the result that they were unable to compete on equal terms with their younger rivals. The latter, having learned something from the experience of their predecessors, endeavored to prevent their own future decay by every fantastic device that the wit of man could conceive. Some of these were actually patented, which fact would indicate that their inventors at least believed them to be effective. A study of these various schemes to secure the advantages of a mathematical reserve, without accumulating it, will convince any unprejudiced mind that the ingenuity of ignorance is still in active operation. Fortunately, the older societies do not find these vagaries attractive, but manifest a tendency to readjust along scientific lines, with the assistance of expert advice.

An important distinction between the British friendly and the American fraternal beneficiary societies should not be forgotten. The main purpose of the former was and is the payment of sickness and funeral benefits, and, although some of them offer ordinary life insurance, the maximum risk assumed on any one life is 200 pounds. The American societies are essentially mutual life insurance organizations, although some of them pay limited sickness and accident benefits. The most popular certificates have a face value of $1000 or $2000, but not infrequently they are written for $5000. The foregoing distinction may help to explain why in the one country the attitude of the actuaries is tolerant or sympathetic, while in the other it is hostile. Practically all of these gentlemen are or have

been, connected with old-line companies, and have thus become somewhat biased, perhaps unconsciously.

The British societies occupy a field of their own, their competition with the business corporations being hardly perceptible. The American societies, on the other hand, are active and most successful competitors of life companies. Furthermore, the founders of the fraternal societies provoked the experts by sneering at them and ignoring their sometimes disinterested advice. At first glance the situation would seem to be unfortunate, but the indications are that it may result in the development of a new generation of actuaries, unfettered by traditions.

The fraternal beneficiary system is now in its thirty-sixth year and its amazing vigor is a source of perennial grief and astonishment to its old-line enemies who regarded it at first with the kind of intolerant contempt that Alexieff used to display toward the Japanese. It seems impossible for men to learn that there are more things in heaven and earth than are dreamt of in their philosophy. The Ancient Order of United Workmen which, by all the rules of orthodoxy, ought to have perished years ago, had, at the end of the year 1903, a membership of 435,015, carrying insurance to the amount of $745,928,000. Only one society exceeds it in size.

It is evident that we are here confronted with a phenomenon that defies mathematical analysis. The plans of the fraternal beneficiary societies may be simultaneously abhorrent to mathematics and acceptable to human nature.

The policy holders of an old-line company, even though it be the mutual variety, are practically impotent to affect its management, being without organization or knowledge of one another's ideas. As few of them can attend the annual meetings, they usually designate as proxies men of whom they never before heard, and of whose opinions they are blissfully ignorant. They feel and are as helpless as the depositors in a bank who place their trust in the honesty and sagacity of the officers and hope for the best. This is business, pure and simple, and to it business principles apply in all strictness.

The members of a fraternal beneficiary society are organized in numerous local lodges which hold meetings at least once a month and sometimes every week. Here the members become acquainted and here they discuss every detail of their co-operative enterprises. As the time approaches for the regular annual or periodical meeting

of the supreme body, they elect thereto trusted representatives, whom they may instruct if they so desire. There develops in these members a very active feeling of proprietorship in their society and of loyalty to its interests. It is, so to speak, their child, and they will endure no inconsiderable sacrifices to conserve its existence. To such a condition, business rules and principles are inadequate, as they ignore the most vital feature of the phenomenon.

That the foregoing is the true explanation of the failure of facts to verify actuarial predictions is indicated by another striking circumstance. About the time that the fraternal beneficiary movement originated there were organized on the same faulty plans, but with government similar to that of the old-line companies, a number of so-called assessment associations. Although their officers were, as a rule, more keenly sensitive than those of the fraternals to approaching dangers, yet, with a single exception, due to peculiar conditions, every one of these associations has disappeared or has been transformed into a legal reserve or stipulated premium company. As Carlyle would have said, "This is significant of much."

As a direct result of the lodge system, the societies minimize the expense of field work. The members become voluntary solicitors, without pay. They love and take pride in their organizations, and believe that they render a genuine service to their friends by persuading them to join. A comparison of the respective costs of management of the business companies and the fraternals is highly enlightening. Thus, for the former, it is annually between eight and nine dollars for each $1000 of insurance in force; while, for the latter, it is less than one dollar.

If it be argued that lodge dues have been ignored in the comparison, the answer is that their main object is to pay for fraternal features for which there is no counterpart in an old-line company. Nor are these features imaginary. We find them sufficiently powerful to hold together vast societies like the Masons and Odd Fellows, which do not pretend to conduct an insurance business. Millions have been paid by the local lodges for the relief of members who were sick, injured or out of employment. Other millions have been expended in social entertainment, which is a feature not to be overlooked when estimating what has been accomplished by these bodies. I have noted, in many publications, slurs cast at this latter kind of expenditure. Those who belittle the social feature evince ignorance

of one of the strongest points in favor of mutual insurance under the lodge system. Life insurance, *per se*, is taken and carried for the protection of dependents. No benefit is realized until the death of the insured, and, consequently, he who carries and pays for the insurance has no other satisfaction from it than that derived from the consciousness that he has provided for loved ones in the event of his death. Of itself, such a performance indicates a high and noble purpose. Man owes a duty to himself, and when this can be combined with that owed to his family, much has been accomplished toward the consummation of a perfect system of social organization. The lodge meetings not only provide the ordinary pleasures of social intercourse, but under the influence of the teachings of the ritual, they are an inspiration to higher ideals, and beget the altruism that turns the mind outward and makes men wish to live for others beside their own immediate families. This social feature of the fraternities has saved thousands from drunkenness and other forms of dissipation into which they otherwise would have plunged in their blind quest of pleasure. Many of these societies accept members of both sexes, and most of them absolutely bar alcoholic liquors from their lodge rooms.

The combination of life insurance operation along with fraternal and social relations is one that appeals to reason and sentiment and tends to popularize co-operative effort for mutual protection. The life companies have recognized this fact and have undertaken to minimize its effect by representing that they sold policies under which the insured did not "have to die to win."

The not unnatural desire of the policy holder to derive some personal benefit has been met by the business companies in the form of investment or endowment insurance, as well as by the promise of dividends, the latter being simply such portion of his excess payment as the company sees fit to return. Of endowment insurance it may be said that it is an excellent refuge for the man who cannot trust himself to make provision for his old age. The exceedingly wasteful character of this form of investment has been by no one more scathingly exposed than by President Greene, of the Connecticut Mutual Life Insurance Company, a man who believes that the union of insurance and investment is unsanctioned by nature.

In order to add to the attractiveness of dividend estimates and, at the same time, to provide a huge fund to be used at discretion,

the business companies devised the semi-tontine or accumulation policy, by which those who live to the end of the accumulation period are to get magnificent returns, according to the *estimates*. Unfortunately, actual results have always fallen far short of the estimates, because, with so much money at their disposal, the companies could not resist the temptation to indulge in extravagance. It is always pleasant to spend the money of others, if one does not have to account for it.

An important difference between the old-line and fraternal systems is in respect of elasticity. The life company is rigid, the contract being definite as to both benefits and contributions. For the sake of safety, the company is, consequently, obliged to overcharge. Some of this excess doubtless returns to the policy holders in the shape of dividends, but as these are seldom guaranteed, the opportunity for extravagance is obvious. Whether or not it is utilized may be inferred from the fact that the companies make little or no effort to sell non-participating policies, the premiums on which are only moderately loaded for expenses. Some do not sell them at all. One prominent stock company, which used to confine itself to the non-participating form of policy has recently abandoned the practice. Another large company, with a most enviable reputation for conservative and economical management, has of this kind of premium-paying insurance in force only about $4,000,000 out of more than three hundred millions.

In the fraternals the amount that a member will be required to pay from year to year is seldom entirely definite. His assessment rate may be established in the by-laws, but almost invariably these are subject to amendment by the supreme legislative body. In most of the societies the number of assessments that may be levied in a year is limited only by the needs of the organization. Furthermore, it is not unusual to find a provision whereby no claim can exceed the proceeds of one assessment on the entire membership. As the provision for expense of management is generally quite definite, there results not only the ability to collect each year the exact cost of protection, but a most effectual discouragement of extravagance. The members have never shown a disposition to endorse the doctrine that the services of some men are worth from fifty to a hundred times as much as those of the average citizen, and, as a consequence, salaries above $5000 are rare. Strange as it may seem to those conversant

with old-line conditions, capable officers are secured without difficulty, in spite of the uncertain tenure of their position. The wisest selections may not always be made, but, on the other hand, the unfit do not survive.

Democratic government naturally involves politics, and from the latter it must be confessed that the fraternals are not exempt. That this circumstance is to their detriment is by no means certain. Political aspirations are distinctly honorable when not tainted with graft. From suspicion of graft, the administration of the societies has been singularly free. Although large sums of money have been handled, the losses that have occurred have been due almost exclusively to faulty judgment. Even such losses have been inconsiderable. In fact, in respect of both honesty and economy of management, the fraternals can well stand the test of comparison with old-line companies.

Although enough has been said to indicate that the fraternal beneficiary system is in harmony with existing conditions in the United States, it will be useful to investigate its prospect of permanence. In the first place, let it be premised that the failure of individual societies proves nothing against the principle upon which they were founded if other adequate causes are known to exist. The whole movement is still in the experimental stage, for which reason alone uninterrupted success would be little short of miraculous. Representative government has not in every instance proved equal to the tasks imposed upon it, but it has shown an ability to profit by experience. With few exceptions, the recent history of the societies under consideration has been most encouraging. There is every indication that the great majority of them will, through their own efforts and without compulsion, so reform their faulty plans as to assure their financial stability.

Unfortunately, the paternalistic tendency, which is becoming more and more apparent in both State and Federal governments, has so affected the various commissioners of insurance that they are not content to let well enough alone, but must break the shell to let the chicken out. Verily, a little knowledge is indeed a dangerous thing when the possessor thereof is a public official. At their 1903 convention, held in Baltimore, Md., the commissioners agreed upon measures which, if carried into effect, would almost certainly destroy the fraternal beneficiary system. It is difficult to avoid

the conclusion that they were influenced by either hostility or ignorance. In this connection, how unfavorably do they compare with the sympathetic, painstaking members of the royal commission that investigated the British friendly societies.

On this subject I speak feelingly, because I believe that the fraternals are beginning to solve one of the most important of industrial problems and that their defeat through ill-advised legislation would be little short of a public calamity. They should be required to exhibit their financial condition in a more scientific manner than has been customary, so that the accusation of deception may be deprived of its plausibility, but we should hesitate to take from them the right to establish such rate schedules as they wish. The members are neither children nor imbeciles, and do not need the fatherly care of insurance commissioners or State legislators. They enjoy the advantages of representative government and have demonstrated their ability to modify their plans when the latter have proven unsatisfactory. They are attempting to provide cheap protection for their families and they are accomplishing their design, not perfectly it is true, but with really amazing success. A single one of these societies has since its organization paid in death claims not less than $135,000,000. This enormous sum of money has gone to the widows and orphans of men who would have carried far less insurance or none at all had it not been for the existence of the fraternals.

In the face of this fact there are not wanting critics with the effrontery to assert that the societies are vicious institutions, because, forsooth, they may fail some day or they may become too expensive for old men who no longer have any excuse for being insured. Suppose they do fail, as in the case of the American Legion of Honor. The downfall of that society has hurt a mere handful as compared to the numbers that have been benefited by its existence. As fraternals have usually been operated, their failure does not involve the loss of large accumulation, for these they do not possess. It does involve, however, a very serious hardship to those members who can no longer gain admission to other societies because of age or infirmity.

Popular government has been sufficiently tested to justify my belief that the fraternal orders will not fail, in the long run, if let alone. They can be killed, doubtless, and against this danger the

only safeguard is eternal vigilance. Their success, as I have already intimated, means much to the cause of humanity.

No thoughtful observer can regard our present industrial régime as final. With its remittent warfare between capital and labor, it is obviously a temporary condition. By what is it to be succeeded? Shall it be the deadly stagnation of socialism, or shall opportunity be left for the development of individualism which has played so prominent a part in the history of the human race? Perhaps, if the great business of life insurance can be successfully conducted on democratic lines, the outlines of the answer may become discernible. Possibly capitalists, as a distinct class, may become as unnecessary as an hereditary aristocracy.

One may be permitted to indulge the dream that some day capitalist and labor may be combined in the same person, and that great industries may be competently managed by officers elected by the whole body of the workers. There is nothing incredible in the supposition, which is, on the contrary, in line with the course of human evolution. Such a condition would allow free play to individual ambition, while abolishing strikes and the existing abnormal contrasts of wealth and social position.

Since reforms are inaugurated by movement of the masses, and since five millions of the wage-earners and breadwinners in the United States and ten millions in Great Britain are taking lessons in economical science from the best of all teachers, *Experience*, is it beyond reason to anticipate development of the mutual and co-operative principle underlying fraternal society management in the business relations between producers and consumers, the great majority of whom are the wage-earners and breadwinners of the country.

To be more definite, let me call attention to the fact that the *insurers* and the *insured* are the same persons in a fraternal Beneficiary society. The officials and managers are strictly and truly the agents of the members from whom the contributions are collected and to the beneficiaries of whom they are distributed. No capitalist stands between the contributing members and the dependents of deceased members. Only a central office, with competent agents in charge, is needed for the collection of millions from the many and the distribution of the same in the payment of promised benefits. Why is it not possible to extend this principle

of mutual cooperation and entirely eliminate the capitalist and forever be rid of his exploitation of labor with its attendants of friction and ferment? Will not the masses, some day, learn the general application of this principle?

The fraternal beneficiary system has a profound significance; it is symptomatic of the times, and what it needs is intelligent direction with a minimum of State interference. Any institution that has distributed to widows and orphans, within three decades, the enormous sum of more than seven hundred millions of dollars, $63,000,000 of which was paid out in 1903, is certainly entitled to serious consideration by those who make a study of political and social science. One hundred and fifty of the existing societies have promised to pay death benefits amounting to more than six thousand millions of dollars. The ability to fulfill their promises means much in more than four million of American homes. Penury, misery and crime will result from inability to carry out their contracts of insurance.

ABB LANDIS.

Nashville, Tenn.

THE AMERICAN SYSTEM OF IMPROVING AND ADMINISTERING COMMERCIAL FACILITIES

In this paper the endeavor will be to collate the legislation of the Federal and of the State Governments on the subject of commercial facilities, and to discover, if possible, the general trend of legislative activity.

The study of harbors, the connecting link between railway and ocean transportation, becomes of increasing interest and importance as foreign trade develops. Unless harbors are properly constructed and efficiently regulated foreign trade is of necessity heavily handicapped.

Previous to the adoption of the Constitution the various States regulated their commerce as so many separate nations, the Federal Government having a merely nominal suggestive power. Not only was there no uniformity in their legislation, there was bitter antagonism, States endeavoring to enact laws to cripple the commerce of other States. In the actual construction and equipment of harbor and wharf facilities, individuals were left largely to follow their own whims and desires. From such a condition of affairs there has been a steady change, first toward more activity on the part of the State Governments, and later on the part of the Federal Government.

The Constitution gives Congress the power to lay and collect taxes, duties, imposts and excises which shall be uniform throughout the United States; to regulate commerce with foreign nations, among the several States and with the Indian tribes; and likewise places the following restrictions on the States: no State shall without the consent of Congress lay any imposts or duties on imports and exports, except what may be absolutely necessary for the execution of its inspection laws; and no State shall without the consent of Congress lay any duty of tonnage. But these clauses of the Constitution, like many others, meant little until interpreted by the Supreme Court, and judicial decisions, in a series of cases from 1824 to 1884, were necessary to establish an apparent understanding between the Federal and State Governments in the regulation of rivers and harbors.

Legal Decisions Distinguishing Between Federal and State Authority.

By the Act of March 19, 1787, the Legislature of New York granted to John Fitch the sole and exclusive right of making and using every kind of boat or vessel impelled by steam on all creeks, rivers, bays and waters within the territory and jurisdiction of the State for a period of fourteen years. John Fitch, it appears, failed to exercise the extensive powers bestowed upon him, and, by a number of Acts this right was transferred to Robert R. Livingstone and Robert Fulton, changed only as to the time limit of the monopoly. By these Acts the exclusive right was given them to use steam navigation on all the waters of New York for a term of thirty years from 1808. According to the laws of New York, any steam vessel without a Livingstone and Fulton license was liable to seizure and forfeiture if found within the waters of the State. Opposed to this was a Connecticut law forbidding any vessel with such a license from entering the State, and, according to a New Jersey law, if the representatives of Livingstone and Fulton carried into effect by judicial process the provisions of the New York laws, they exposed themselves to a State action in New Jersey for all damages and treble costs.

This law of the State of New York finally came before the Supreme Court in the year 1824 in the famous Gibbons *vs.* Ogden case,[1] and the decision was the entering wedge in the separation of State and Federal authority over navigable waterways of the United States. Because of its repugnance to that clause of the Constitution giving Congress power to regulate commerce with foreign nations among the several States and with the Indian tribes, this law was declared unconstitutional, insofar as it prohibited vessels licensed according to the laws of the United States from carrying on the coasting trade, and from navigating the waters of the State of New York. In other words, no State may exclude vessels of the United States from her waters.

The next phase of the question was brought to light in the State of Maryland. In 1821 the Legislature passed a law that all importers of foreign articles or commodities of dry goods, wares or merchandise by bale or package, or wine, rum, brandy, whisky and other distilled spirituous liquors, etc., and those persons selling the same by wholesale bale or package, hogshead, barrel or tierce should, before they

[1] 9 Wheaton 1.

were authorized to sell, take out a license for which they were to pay $50. In 1827 the Supreme Court[2] declared this law unconstitutional, being contrary to the clause, "No State shall, without the consent of Congress, lay any imposts or duties on imports and exports;" and also to the clause, "Congress shall have power to regulate commerce * * *." That is, a tax on importers is a tax on and a regulation of commerce and, therefore, unconstitutional.

The matter of registration was the next point to come before the Supreme Court.[3] In 1854 the State of Alabama passed a law requiring the owners of steamboats navigating the waters of the State, before a boat should leave the port of Mobile, to file a statement in writing in the office of the Probate Judge of Mobile County, setting forth: first, the name of the vessel; second, the name of the owner or owners; third, his or their place of residence, and, fourth, the interest each has in the vessel. This law also was declared unconstitutional insofar as it applied to a vessel which had taken out a license and was duly enrolled under the Act of Congress for carrying on the coasting trade and plied between New Orleans and the cities of Wetumpka and Montgomery in Alabama. Special State registration is an unlawful requirement of vessels engaged in coastwise trade. The case of Foster *vs.* Davenport[4] differed from the above case in this respect only, that the vessel seized for non-compliance was engaged in lightering to and from vessels anchored in the lower bay of Mobile and the wharves of the city, and in towing vessels anchored there to and from the city, and in some instances towing the same beyond the outer bar of the bay and into the Gulf to a distance of several miles, but was duly enrolled and licensed to carry on the coasting trade while engaged in this business. The argument of the Court being that lightering or towing was but a prolongation of the voyage of the vessels assisted to their port of destination.

The next case[5] dealt with the subject of taxation. In 1866 the State of Alabama passed a revenue law fixing the rate of taxation for property generally at one-half of one per cent., but on all the steamboats, vessels or other watercraft plying in the navigable waters of the State, the rate was placed at one dollar per ton of the regulated tonnage, to be collected if practicable at the port where such vessels

[2] Brown vs. Maryland 12, Wheaton 419.
[3] Sinnot vs. Davenport 22, Howard 227.
[4] 22 Howard 244.
[5] Cox vs. Collector 12, Wallace 204.

were registered, otherwise at any other port of landing within the state where such vessel might be. The vessels in question were enrolled and licensed for carrying on the coastwise trade, but, as a matter of fact, plied only on waters within the State. The Supreme Court decided that although taxes levied, as on property, by a State upon vessels owned by its citizens and based on the valuation of the same, are not prohibited by the Constitution, yet taxes cannot be imposed on them by a State at so much per ton of the registered tonnage.

Vessels have long been obliged to pay pilotage whether assisted to and from the harbors by pilots or not, and in 1855 the State Legislature of Louisiana authorized the Master and Wardens of the Port of New Orleans to collect five dollars from every vessel arriving at the port, whether called upon to perform any service for the vessel or not. But in 1867 the Supreme Court[6] pronounced the law a regulation of commerce and unconstitutional, since it was a tax levied on all ships. It was further stated that the fees of the Master and Wardens differed from that of the pilots, in that the pilot laws of the States received Federal confirmation in 1789, and also that the pilot laws rest on contract, *i.e.*, payment for actual service.

The last important case of this series was that of Moran *vs.* New Orleans.[7] In 1870 the State authorized the city of New Orleans "to levy, impose and collect a tax upon all persons pursuing any trade, profession or calling, and to provide for its collection;" and further added that this law should not be construed to be a tax on property. Under the authority of this Act the city established the following license: "Every member of a firm or company, every agent, person or corporation owning and running towboats to and from the Gulf of Mexico, $500." Cooper was the owner of two steam propellers, each measuring over 100 tons, duly enrolled and licensed at the port of New Orleans under the laws of the United States, to be employed in the coasting trade. Upon his refusal to pay the license judgment was obtained by the city and sustained by the Supreme Court of the State. The Supreme Court of the United States, however, decided that the license was in reality a charge made under the authority of the State for the privilege of employing vessels in the manner authorized by the license of the United States and was, therefore, a restriction of commerce and unconstitutional.

[6] Steamship Co. vs. Portwardens 6, Wall 31.
[7] 112 U. S. 69.

This chronological review of laws and court findings is necessary, in order to get some idea of the relation of the Federal and State Governments in the control of vessels plying to and from our ports. Vessels may be taxed by the State Governments, but such taxation must be based on property value and be collected at port of registration. And no vessel licensed and enrolled under the laws of the United States for carrying on the coastwise trade may be burdened by any special registration, license, fee, or tonnage tax by any State. The Constitution has been interpreted strictly, and the States are limited in their taxation of commerce to what may be absolutely necessary for the execution of their inspection laws.

Governmental Control of Pilots and Pilotage.

Pilots are largely under State control. Prior to 1789 most of the States had adopted pilot laws, and these laws were early confirmed by Congress[8] in these words: "Until further provision is made by Congress all pilots in bays, inlets, rivers, harbors and ports shall continue to be regulated by the laws of the States wherein such pilots may be or with such laws as the States may respectfully enact for the purpose." Friction soon arose between such States as Pennsylvania and Delaware, both of which have pilots competing for service to and from ports on the Delaware River, giving opportunity to vessels to discriminate between the pilots of the two States. This led to a law of the United States requiring the master of any vessel coming into or going out of any port situated upon waters which are the boundary of two States to accept the first qualified pilot who offers his services, whether he be licensed in one State or the other. The Revised Statutes of the United States (No. 4237) prohibit any State from making any discrimination in the rate of pilotage or half pilotage between vessels sailing between ports of one State and vessels sailing between ports of different States. Revised Statutes (No. 4444) make it unlawful for a State or Municipal Government to require pilots of steam vessels to procure State or other license, in addition to that issued by the United States, or any other regulation which will impede pilots in the exercise of their duties. Except for these general regulations the control of pilots and pilotage is left to the State and Municipal Governments. Taking Philadelphia

[8] Revised Statutes 4235.

for an illustration, one of the duties of the Board of Wardens is to license pilots and make rules for their government. There are eighty-four pilots, half of whom are licensed by the state of Pennsylvania and half by the state of Delaware. They serve in turn, first-class pilots taking vessels with draft of eighteen feet and over, and the second-class pilots taking vessels of less than eighteen feet draft. The rate of pilotage is fixed by law, twelve feet draft and less being $1.87 per half foot; over twelve feet, $2.25 per half foot. Pilotage is compulsory; a vessel entering the Delaware River must lie beyond breakwater for twenty-four hours, if need be, waiting for a pilot, who, when accepted, must be paid according to the rate decided upon by the State from which the pilot shall have come.

In New York harbor the number of pilots is limited to one hundred and thirty. They are incorporated, take steamers by turn, pool their earnings, and draw a salary of $200 per month when working full time. Pilotage is not compulsory unless a pilot offers his services. The rate of pilotage on inward bound vessels drawing twenty-one feet draft and upwards is $4.88 per foot.

At Baltimore pilotage is compulsory. There are fifty-four pilots licensed yearly by the State. The rate of pilotage on vessels of fifteen feet draft and over is $5 per foot.

Improvement and Control of Waterways.

In the first part of the paper we endeavored to discover the relation between the Federal and State Governments in the general oversight of vessels and cargoes as they come and go in the harbors of the United States. Attention will now be directed to the relation between the Federal and the State Governments in the maintenance, improvement and control of waterways.[9]

In a general way it may be said that the Federal Government has authority over the channels of rivers between the wharf lines, and that the States have authority over the docks, wharves and other conveniences for loading and unloading cargoes. This authority is sometimes exercised directly, as in the State of Washington, where the State has made Constitutional provision for the protection of the

[9] For a study of the activity of the Federal Government in improving harbors, see article by Professor Emory R. Johnson, Annals of the Academy of Political and Social Science, Vol. ii, page 782-811. Professor Albert Bushnell Hart's "Essays on American Government," Chapter ix.

water front; in other States it is delegated to municipalities, and in others individual initiative is largely left unguided and uncontrolled. On the other hand, individuals, corporations and State authorities are not prohibited from improving river channels, but are subjected to the regulation of Congress, the Secretary of War and the Chief of Engineers of the Army.

Prior to the adoption of the Constitution the States exercised their sovereignty, improved waterways and levied tolls to meet their expenditures; after 1789 the lighthouses, beacons, buoys and public piers were ceded to the United States, and the care of them no longer devolved on the State Governments, thus removing the principal occasion for the collection of duties. However, the collection of tonnage duties did not cease immediately, and Congress passed frequent enabling acts empowering States to collect duties for needed improvements. If a State wished to make some river or harbor improvements she would lay her plans before Congress and if approved receive authority to collect by means of taxation of commerce sufficient funds for the completion of the enterprise. For example, in 1806 Congress passed an enabling Act to empower the Board of Wardens for the Port of Philadelphia to collect a duty of four cents per ton on all vessels clearing from the port of Philadelphia for any port or place whatsoever, to be expended in building piers and otherwise improving the navigation of the river Delaware.

Removal of Obstructions from Channels.

During the entire first half of the century there appears to have been no clear understanding as to whose duty it was to supervise the waterways of the United States and keep them in suitable condition to insure safety and rapidity to commerce. Even as late as 1859 the Legislature of the State of Pennsylvania passed an Act introduced by the following preamble which plainly indicates the uncertainty as to where the duty should rest: "Whereas frequent obstructions to the safe navigation of the river Delaware and the river Schuylkill within the tidewaters thereof do frequently occur by the sinking of canal boats, barges and other vessels and there being no adequate remedy to compel the owner, master or other agent having charge thereof to raise and remove the same." The Act authorized the Master Warden of the Port of Philadelphia immediately upon information of the sinking of any vessel in the channel of the tide-

waters of the Delaware or Schuylkill, within the limits of the port to notify the owner to raise the same within ten days under penalty, and upon failure of owner to remove the wreck the Master Warden should do so, selling the cargo to meet the expenses. In 1864 the Act was amended by authorizing the Master Warden to recover damages from the owner. Not until 1880 did Congress take action upon this subject.[10] In that year the Secretary of War was authorized in case of the obstruction of any navigable waterway of the United States, river, lake, harbor or bay, to give proper notice to all persons interested in the craft or cargo to remove the same, and upon their failure to do so the Secretary of War should treat the sunken vessel as abandoned and derelict, removing and selling both vessel and cargo and depositing the proceeds in the treasury of the United States to the credit of a fund for the removal of such obstructions. This act remained unchanged for two years, but in 1882 the powers of the Secretary of War were enlarged by authorizing him to sell the vessel and cargo before raising the same. In 1890 he was further authorized[11] to break up and remove, without any liability for damage to the owner, any wreck or obstruction that had been allowed to remain more than two months. In section six of the same Act Congress forbids the casting from any boat pier or manufacturing establishment any ballast, gravel, cinders, sawdust or other waste into any of the navigable waters of the United States, and where the casting of such material into navigable waterways is necessary for the improvement of the same a permit from the Secretary of War must be obtained.

Construction of Bridges, Dams and Dykes.

The Federal Government, having assumed the duty of keeping the channels free from obstructions, would naturally take the next step of defining more accurately the boundaries of waterways. On March 3, 1899, Congress, in order to further protect the channels of waterways, passed an Act regulating the construction of bridges, dams and dykes, making it unlawful to construct or commence the construction of any bridge, dam, dyke or causeway over or in any port, roadstead, haven, harbor, canal, navigable river or other navigable water of the United States until the consent of Congress

[10] River and Harbor Act, Section 4.
[11] River and Harbor Act, Sec. 8.

to the building of such structure shall have been obtained and until the plans for the same shall have been submitted to and approved by the Chief of Engineers of the Army and the Secretary of War. However, such structures may be built under the authority of the legislature of a State over rivers and other waterways, the navigable portions of which lie wholly within the limits of a single State, provided the location and plans thereof are submitted to and approved by the Chief of Engineers of the Army and the Secretary of War before construction is commenced. The only difference in the building of a structure over a river wholly within a single State and one which forms the boundary between two States is that in the latter case the consent of Congress must be obtained, which is not necessary in the former, but in both instances the plans must be approved by the Chief of Engineers of the Army and Secretary of War. Plans once approved must not be deviated from in the least, either before or after completion of structure without being submitted to and receiving the approval of both the Chief of Engineers and the Secretary of War.

Section ten of the same law extended the Federal authority, making it unlawful to create any obstruction to the navigable capacity of any waters of the United States, unless affirmatively authorized by Congress; and also making it unlawful to build or commence building any wharf, pier, dolphin, boom, river breakwater bulkhead, jetty or other structure in any port, roadstead, haven, harbor, canal, navigable river, or other water of the United States outside established harbor lines, or where no harbor lines have been established, without having first received the approval before mentioned.

Harbor Lines Established by the Secretary of War.

Section eleven of the same Act authorizes the Secretary of War to establish harbor lines wherever it is made manifest to him that such lines are essential to the preservation and protection of any harbor, and beyond these lines no piers, wharves or bulkheads or other works may be extended, or deposits made except under such regulations as from time to time may be prescribed by him. He is also authorized to require any party who is given the right to build a pier or other structure to excavate, if necessary, in another part of the harbor sufficient space to compensate for the water displaced by the

structure. Prior to this date, wharf lines were located by State or local boards, and even yet are usually so located, but wherever the Secretary of War has fixed wharf lines, the local boards have made their lines correspond.

Section eighteen of the same Act authorizes the Secretary of War to compel the reconstruction of any bridge, railway or otherwise, wherever in his judgment it is deemed an obstruction of free navigation. In giving an order for reconstruction the notice must be accompanied by a plan of the change recommended by the Chief of Engineers of the Army. Failure to obey a reconstruction order is a criminal offense, and each aditional month's delay is a new offense. The Secretary of War, likewise, has the power when the public welfare requires it to make all needful rules and regulations for the opening of drawbridges and such rules when so made have the force of law. The speed of vessels, the navigation of canals, the floating of logs and sack rafts, all come under his supervision.

Relation of State Governments to Wharves and Docks.

The State Governments have exercised their authority over docks, wharves and harbor lines in numerous ways and with no attempt at uniformity. In some cases the authority is exercised by State Boards with large discretionary power; in others by State Boards closely guided by statutory laws; and in others still by elective municipal boards with appointed heads or by departments under the charge of a commissioner.

The following table[12] gives the forms of wharf and dock ownership and control in the principal ports of the United States:

Portland	Railroad and Private	
Boston[13]	"	"
New York	Public,	"
Philadelphia	"	"
Baltimore	Public,	"
Norfolk	"	"
Newport News	"	"
Savannah	"	"

[12]Massachusetts State Board on Docks and Terminal Facilities, p. 14.
[13]The South Boston public pier has been constructed since above date.

Charleston	Railroad and Private
New Orleans	Public, " "
Galveston	" "
San Francisco	Public

At *San Francisco* the docks are public, under the control of the Board of State Harbor Commissioners first appointed in 1863. This Board is composed of three persons appointed by the Governor, by and with the consent of the Senate, for a term of four years. They are given possession and control of the waterfront of the city and county of San Francisco, with powers to erect structures within a given line. The Board with the Governor and Mayor may establish rates for dockage and wharfage, collecting from each equal sums of which the total shall not exceed a small designated amount. The Board is empowered to locate and construct wharves wherever it deems best and to erect all such improvements as may be necessary for the safe landing, loading, unloading and protecting of all classes of merchandise passing in and out of the city and county of San Francisco. In the construction of wharves, no dock nor slip may be less than 136 feet at the narrowest point between the wharves. The Board has control of the mooring and anchoring of vessels in the harbor and keeping the waterways unobstructed and also the authority to extend any of the streets lying along the waterfront of the city and county to a width of 150 feet, the water side of which may be used as a landing place on which tolls are collected.

The State of Washington incorporated in her Constitution a clause prohibiting the State from selling or relinquishing any water areas beyond high-water-mark "but such areas shall be forever reserved for landings, wharves and streets and other conveniences of navigation and commerce." A Harbor Line Commission established harbor lines in the navigable tide water of the State adjacent to cities, with a view to providing for docks having a length of 600 feet and avenues fronting thereon of from 100 to 250 feet in width. By this means the water frontage of all the cities in the State is to be preserved in a uniform condition, under the control of the State, for the purpose of improving the State's commerce.

New Orleans has about thirty miles of water frontage on both sides of the river. The wharves and all riparian rights are owned and controlled by the city. Leases and licenses have, however,

been given frequently to individuals and corporations. For many years all wharfage charges were collected by the officers of the city and turned into the city treasury for the maintenance of wharves and other landings; but in 1891 a lease for a term of ten years was made of five miles of the water frontage, the lessees being allowed to collect and retain all charges paid for the use of the property. This method of control did not prove satisfactory and the commercial bodies decided that "with the keen competition of other ports and the general tendency of business to seek ports which offer the best opportunity for the cheap handling of freight, nothing short of free wharfage will relieve the situation." In 1896 a law[14] was passed establishing a Board of Commissioners of the Port of New Orleans with power "to regulate the commerce and traffic of the harbor in such a manner as may in their judgment be best for its maintenance and development; to administer the public wharves; to construct new wharves where necessary; to erect sheds thereon to protect merchandise in transit; to place and keep the wharves, sheds and levees in good condition; to maintain sufficient depth of water and to provide for lighting and policing the wharves and sheds; to levy charges for defraying expenses in accordance with the schedule in the Act and to repossess themselves of the frontage farmed out under the ten year lease." The Board of Commissioners consisted of five men, resident in the city of New Orleans and appointed by the Governor of the State.

By the laws of *Maryland* the control of the harbor of Baltimore is vested in the Mayor and the City Councils who have established a Harbor Board consisting of the Mayor and six citizens, having control of all matters connected with the harbor and the expenditure of any funds appropriated therefor. The State owns two wharves, on which are warehouses wherein any citizen of Maryland who raises tobacco may store it indefinitely with no other charges than a payment of two dollars per hogshead on removal of the same. At the ends of some of the streets there are a few wharves and an enclosed dock called the city dock, all owned and controlled by the city, at which boats with garden truck and small steamboats are furnished landings. The rest of the ownership is private.

There are six harbor masters who are appointed in the same manner as other city officers and among their duties is that of the

[14]Act of the General Assembly of Louisiana, No. 70.

collection of wharfage and dockage rates, paying the proceeds to the city register.

New York. The docks and wharves of the City of New York are largely owned by the municipality under a grant in colonial times, and are under the control of the Commissioner of Docks. Notwithstanding this grant about half the waterfront is claimed as private property. From 1870 until 1902 the duty of maintaining and improving the harbor devolved upon the Board of Docks. Previous to the organization of the dock department in 1870 there had been no systematic plan of construction of wharves around the city, each pier owner building to suit his own fancy or convenience. During the period of thirty-two years in which the control of the harbor was vested in the Board of Docks the total gross revenue from leased wharves increased from $315,524.54 in 1871 to $2,673,333.30 in 1902; the revenue from ferry leases and franchises increased from $144,640 in 1871 to $303,406.47 in 1902; and the total annual expenditure audited increased from $486,449.12 in 1871 to $2,409,376.49 in 1902. Wharf property valued at $11,692,579.71 was acquired by the city, and in addition to this a number of piers claimed by private individuals was restored to the city.

In 1890 a board of United States Engineers established a bulkhead around the island upon which the department has built several miles of masonry which is to be continued until the island is completely surrounded. Wharf construction is now systematically planned and carried out under the Commissioner of Docks, appointed by the Mayor. The wharves are leased for terms of years varying from ten years to those terminable at the pleasure of the Commissioner and at rentals of from $50 to $100,000 per year under one lease. Leases may be renewed for periods of ten years, but the aggregate number of years cannot exceed fifty. The Commissioner of Docks[15] has exclusive charge and control, subject in certain particulars to the Commissioners of the Sinking Fund, of the wharf property belonging to the corporation of the City of New York, including wharves, piers, bulkheads and structures thereon and water adjacent thereto and all slips, basins, docks, waterfronts, land under water and structures thereon and has exclusive charge and control of repairing and building, rebuilding, maintaining,

[15]Laws of New York, 1902, vol. ii, chap. 609.

altering, strengthening, leasing and protecting the property. No wharf, pier, bulkhead or other structure may be erected without the plans first being approved by the Commissioners of the Sinking Fund and filed with the Commissioner of Docks. He also is authorized to regulate the charges for wharfage, cranage and lockage of all vessels admitted to the wharves, piers, bulkheads, slips, docks and basins constructed under the provisions of the law.

Boston. In 1894 a joint commission on improvement of the docks and wharves of the City of Boston found "That there is not any public department, State or municipal, having supervision of the business of the docks and wharves, of their capacity, size or of the uses made of them." The number of wharves in the city at that time was over two hundred, all private property, used for private purposes and information concerning them rested entirely upon the good-will of the proprietor. Since that time the powers of the Harbor and Land Commission have been enlarged and as stated in the laws of Massachusetts, chap. 96, sec. 7, are the general care and supervision of the harbors and tide waters within the Commonwealth, of the flats and lands flowed thereby; of the waters and banks of the Connecticut within the Commonwealth and of all structures therein in order to prevent and remove unauthorized encroachments and causes of every kind which may injure the river or interfere with the navigation of such harbors; injure their channels or cause a reduction of their tide waters. The Board is also authorized to take by purchase or otherwise, lands or materials needed for improvements or repairs; to recommend harbor lines to the general court which, if established by the court, become the lines beyond which no pier or other structure may be extended. In 1897 the Legislature[16] authorized the Harbor and Land Commissioners to construct a pier and dock on the Commonwealth Flats at South Boston at an expenditure not exceeding $400,000. This pier 1200 feet long and 400 feet wide, creating a surface of wharf area of eleven acres, has been built and is the one pier owned by the Commonwealth.

Philadelphia. Contrary to the general rule, the port of Philadelphia was more or less carefully organized from its origin. By the charter of 1701 William Penn constituted the city of Phila-

[16]Chap. 513, Acts of Massachusetts.

delphia to be a port or harbor for the discharging and unloading of merchandise from ships upon so many wharves and quays as the Mayor, Aldermen and Common Council of the city should from time to time establish.

The wharves of Philadelphia were of two kinds, public, such as the ends of the streets, which were for the use of the city, and private, such as were erected by the owners of the soil. In both cases the right of the riparian owner extended only to low-water mark, the privilege of erecting wharves to extend into the stream being one which the Proprietary or his successor, the State, might grant or withhold. In 1763 the Provincial Assembly, to encourage commerce and to render approach to these ports more secure, passed an Act providing for a lighthouse at the entrance of the bay and the placing of buoys in the bay and river. In 1773 provision was made for the appointment of wardens for the port of Philadelphia and for the regulation of pilots plying in the river and bay and the price of pilotage. The wardens were to choose one of their number president, examine pilots and grant certificates; make rules of pilotage; appoint the lighthouse keeper and provide for the building of more piers in which vessels might take shelter. Their accounts were laid yearly before the Accounts Committee of the Assembly.

Finally in 1803 the groundwork of the present system was adopted. The law provided for one warden and six assistant wardens, four of whom should be inhabitants of the city of Philadelphia, one of the Northern Liberties and one of the District of Southwark. The Governor was authorized to appoint a harbor master, removable at pleasure. The duties of the wardens were to grant licenses to persons to act as pilots in the bay and river Delaware and to make rules for their government while employed in that service, to decide all differences which arose between masters, owners and consignees of ships or vessels and pilots, except in certain cases; to direct the moving of ships and vessels in the harbor and the order in which they should lay, load or unload at the wharves and to make, ordain and publish such rules and regulations and with such penalties for the breach thereof in respect of the matters before mentioned as they should deem fitting and proper.

In 1851 the Legislature passed a law[17] declaring that no previous law should be construed to authorize the building or extension of

[1] Pennsylvania Laws, 1851, p. 862.

wharves on the river Delaware in front of the city and county of Philadelphia or the establishment of wharf lines unless the wharf lines should first be approved by the Board of Wardens for the Port of Philadelphia.

At this time the Board consisted of the Master Warden appointed by the Governor and thirteen port wardens appointed by the Select and Common Councils and the Commissioners of the Boroughs of Bridesburg, Richmond, Kensington, the Northern Liberties, Southwark and Moyamensing.

In 1853 the jurisdiction of the Board was extended over the entire county and only wharves licensed by them were lawful structures. The Board was now made to consist of one master appointed by the Governor and sixteen assistant wardens elected by the Select and Common Councils. This Act made it the duty of Councils to fix wharf lines beyond which no wharf or pier may be built; to keep the navigable water within the city open and free from obstructions; to regulate pilots and the better disposition of vessels within the port.

An Act of March 31, 1864, made it the duty of the Board of Wardens, guided by the plan prepared by the City Surveyor, to fix the wharf lines of Delaware County beyond which they could not authorize the construction of any wharf or pier. In the same year they were given the authority to fix an arbitrary low water mark beyond which no encroachment nor improvement should be made without a license from the Board.

In 1870, owing to a decision of the Supreme Court,[18] above mentioned, the Board of Port Wardens was constituted a department of the city known as "the Department of Port Wardens," all its receipts being paid into the city treasury and its accounts audited by the City Controller. Previous to this the Master Warden and Harbor Master had received a fee of seventy-five cents collected from each vessel coming into the harbor. The fee having been declared unconstitutional, the payment of the salaries was assumed by the State government.

The Board of Wardens has supervision of the port of Philadelphia under the guidance of the State and the municipal governments and operates principally through the Master Warden, and the

[18]Steamship Company *vs.* Portwardens, 6 Wallace 31.

Harbor Master who has charge of the placing of vessels, the cleaning of docks and wharves and other similar duties.

Summary.

In the past we have thought of harbors and transportation terminals as places where commerce was halted, now we are learning to think of them as integral parts of the great carrying systems, parts where speed and freedom of movement must be unrestricted, where discriminations and petty bickerings which result from unrestrained competition must be eliminated. While our foreign trade was comparatively small and sea-going vessels, of shallow draft, the equipment of harbors was of less importance; but with our immense and rapidly growing foreign trade, and with modern ocean vessels that draw from twenty-seven to thirty-three feet, special harbor facilities are indispensable. In 1902, 561 vessels with a loaded draft of from twenty-seven to thirty-three feet left New York harbor. In order to provide for such vessels as these, the Federal Government is deepening and improving our channel ways and giving increased power and supervision to the Secretary of War. The State and the municipal governments are centralizing the responsibilities of their Harbor Commissioners and granting specific powers, as well as general supervision. The Board of Docks in New York City has been superseded by the Commissioner of Docks. The powers of the Boston Harbor and Land Commissioners have been increased by authority to construct the South Boston pier. The New Orleans Board of Commissioners was given authority to repossess themselves of the river front, farmed out under the ten year lease and to regulate the commerce and traffic of the harbor "in such manner as may in their judgment be best;" while the harbor of San Francisco and the shore line of the State of Washington are under the direct guardianship of the State Government.

As stated earlier in the paper the Federal Government has control over the channels of rivers between wharf lines and the State Governments have control over the docks and wharves. In some States this authority is exercised through the municipalities as is the case in Maryland, Pennsylvania and New York, where the ports are controlled largely by the municipality or by a department of the municipality, but in Massachusetts, Louisiana, California and Wash-

ington the authority is exercised by State Boards appointed by the Governors. But in either case the tendency has been the same, to centralize the authority of the Board and to grant more complete discretionary powers.

J. BRUCE BYALL.

Philadelphia, Pa.

THE BRITISH SYSTEM OF IMPROVING AND ADMINISTERING PORTS AND TERMINAL FACILITIES

European countries present a wide range of experience in the management and ownership of ports and harbors. England alone has many varieties, differing in nearly all cases from those most in vogue on the Continent. Germany is a country with a highly organized and successful governmental activity for fostering trade. The present striking success of these efforts is calling the attention of other nations to what Germany is doing, but it is true that England has been for more than a century the prominent figure in the commercial world, and that, too, without the thorough and formal organization of Germany. British freedom of trade has had a deeper meaning than the mere question of tariffs. The German governments act. The British government has only guided and controlled the action of individuals.

These different policies are in part explained by the differing history of the two nations. For nearly ten centuries England has been united, unconquered and practically unthreatened by a foreign foe. During the whole of this period she has had more internal freedom in her political and economic life than any country of Europe except Holland. For two centuries England and Scotland have been united with freedom of trade and almost continuous internal peace. British wars have been fought abroad. During this same period the continent of Europe has, decade after decade, been devastated by war from end to end, and the British manufacturers and traders have profited by the disturbance and have been allowed to develop their industries naturally.

The continental manufacturer has been harassed more by tariffs than by wars. Germany in 1818 with sixty or more tariff-levying divisions with independent and varying fiscal policies was an impossible place for import, export or the assembling of raw material. Dynastic, military and political disturbances strengthened the hand of centralization and fettered individual liberty and initiative. The raw materials of the Continent, especially of Germany, were scattered and must needs await the coming of the railway and the steamer. Principalities, wars and tyrants dammed up the stream

of German progress until that country with its increasing population was a disconnected mass of prostrate possibilities needing only the touch of opportunity to move forward with exceptional rapidity. That opportunity has come with the latter part of the 19th century at the hands of a government that had tasted the bitterness of defeat and had realized and acted upon the idea that national power was desirable and only to be attained by the raising of the efficiency of every individual and of every industry. After the German humiliation at Jena, Prussia began consciously and deliberately to educate that she might have efficiency and through efficiency, power. This policy was vindicated in 1870 when it was said that the German schoolmaster won at Sedan. It might also be said that he is now winning in the foreign market. The policy that began by educating the German peasant in 1820 has broken down Germany's internal tariffs, has made the leading technical and commercial schools of the world, and through state activity, has produced the Prussian state railway system with its preferential and export rates; has put the export bounty on sugar, the bounties on shipbuilding; has sent subsidized steamships to the far Indies and has made Hamburg the most efficient port in the world.

England has had a more even, a more natural and latterly a less systematic development of commerce and its necessary facilities. Her raw materials, especially of coal and iron, and her water power have been abundant and favorably located. Internal freedom of trade and internal peace have left her people free to develop industry and trade. Her insular position has removed her from danger of foreign aggression so that the force of tyranny has declined and the individuals or the associations of individuals have been free to act as occasion demanded, and they have met commercial wants as they arose. Not being hampered like Germany, Britain's wants have not accumulated until a comprehensive system was demanded. These wants having been satisfied as they manifested themselves, we find that instead of a comprehensive system Britain has a complex accretion, the result of slow and gradual growth and chiefly by individual initiative. Such is the system of operating commercial facilities, such is the British school system, the British Constitution and the genius of British civilization.

The British system has its advantages and its drawbacks.

It was early in the field, but it is necessarily incomplete, and when the time arrives for more systematic improvements the private interests that first met the demand are often conservative resisters of progress with vested interests demanding protection. This becomes more noticeable as the scale of modern commerce increases and demands facilities of a magnitude that the individual finds it impossible to supply. The British system is now at many points beginning to show itself inadequate to meet the demands of 20th century commerce and the more systematic competition of Germany. Many symptoms show that the United Kingdom feels the competition of Germany and the United States and is attempting to meet it by a more thorough organization. The Chamberlain tariff agitation is an effort to protect England from her rivals. She has felt the need of a comprehensive educational system, but the passage of a satisfactory education act is hampered by conflict with the very numerous private schools—an outgrown result of private initiative. In this respect England is far behind Germany. Humiliated Germany has spent a century in education and technical training and equipment. The United Kingdom, the unquestioned and unthreatened victor of the Napoleonic wars, mistress of the seas, secure in her isles, has spent that century in strife between the aristocratic and democratic classes who have fought within the political arena concerning the right to vote and govern. The British nation has now reached the point where it must repeat and is repeating the history of Germany. Great Britain feels her weakness and strives to improve her weak points. Individual efficiency must and will be raised by an improved educational system. The tariff may or may not be changed, but it will be improved if possible; shipping has been protected and aided by increased subsidies, and the tendency to betterment in the control and organization of commercial facilities is suggested by the recent agitation for bettering the port of London where it is proposed to make vast improvements and transfer control from several private bodies to a central authority.

The original repository of power of general control over ports in Great Britain was the municipality but the fact that the municipality rarely cared to make extensive improvements in its corporate capacity left the field open to private activity. The size of the operations necessary for harbor improvements and the uncertainty

of profitable return were such that individuals and partnerships were usually deterred from venturing into this field which was left for the joint stock company, the corporation. But corporations in great Britain are creatures of Parliament. So from the earliest harbor improvements to the present day there has been a constant succession of acts of Parliament creating bodies, private, semi-public and public for the improvement, operation and control of docks and other port facilities.

The first stage in this progress was the dock company, pure and simple. The rise and fall of the tide on British coasts is so great that vessels must anchor far from shore or lie on the bottom at low tide. This made slight difference in the days of light trade and of that carried by shallops and small sailing vessels. With the early years of the 19th century came heavier commerce and larger vessels which needed the shelter of enclosed docks with water constantly at high tide level.

The first half of the 19th century was the era of the dock companies. They were organized in all the leading ports and usually prospered upon the charges made upon vessels and goods entering their premises. But this prosperity was not to last. The middle of the 19th century witnessed three changes in commerce, each in itself revolutionary. (1) The railway gave the whole of Great Britain access to the sea. (2) The steamship made equal improvements in the accessibility of foreign lands and products. Furthermore the steamship was shortly made of iron and greatly enlarged. (3) The coming of the free trade era caused a great increase in the imports of bulky commodities.

The increased commerce and the larger ships made obsolete the docks of the old sailing ship days. The improvements necessary to accommodate the larger type of vessel were so expensive that the dock companies were with few exceptions unable to comply with the demands of trade and their decline set in. Except in favored ports the time had passed when a dock company could from its dues derive sufficient revenue to pay expensive salaries, interest charges and dividends on its stock. Henceforth the dock company had to be reorganized on a non-profit basis or become a part of some larger system in which it was an integral part.

Numerous reorganizations followed, resulting in many varieties

of port arrangements, but all fall under one of three distinct types which will be taken up in the order named:

I. Public trust, in which the idea of corporate profit is abandoned in the interests of public welfare.

II. Municipal ownership and operation as a public utility, not as a source of revenue.

III. Private ownership and control, usually by a railway company as a part of an extensive system.

I. The Public Trust.

The public trust is the most typical of all the forms and by the compromise methods of its organization offers an excellent example of the British way of doing things. The public trust is a business corporation, organized like any other corporation, by Act of Parliament. Membership upon the board of directors is an honor but without financial reward in any way. In these respects and in the attitude towards the public the British harbor trust closely resembles the board of trustees of an American university. In the distribution of the powers of appointing directors we see the element of compromise that led to their origin. When the increased commerce of the free trade era had brought conditions to a standstill various official and non-official organizations had usually been exerting more or less power and the common method was for the Act of Parliament to give these and possibly others representation in the board of a new and more comprehensive governing body, the non-profit, the non-salary-paying corporation, or public trust.

For the City of Glasgow the Clyde Navigation Trust was constituted by an Act of Parliament in 1858.

It consists of twenty-five members as follows: The Lord Provost of Glasgow, *ex officio*, chairman; nine town counselors of Glasgow; two nominees of the Chamber of Commerce; two nominees of the Merchants House; two nominees of the Trade House; nine persons elected by the shipowners and harbor rate payers. An Act was introduced in 1901 to reduce the municipal representation in this board.

Liverpool is unique in having no municipal representatives whatever upon the board of its harbor trust.

The Thames Conservancy Board has control of the Port of Lon-

don, the navigation improvements of the Thames from the deep sea to and above London and also controls the waters of the Thames and its entire drainage basin with certain small exceptions. By the revision of 1894, this board has thirty-eight members appointed or elected as follows: Appointed by the Admiralty, two; by the Board of Trade, two; by the Trinity House, two; by the Gloucestershire and Wiltshire County Councils, one; by the Oxfordshire County Council, one; by the Berkshire County Council, one; by the Buckingham County Council, one; by the Hertfordshire County Council, one; by the Surrey County Council, one; by the Middlesex County Council, one; by the London County Council, six; by the Common Council, six; by the Essex County Council, one; by the Kent County Council, one; by the Metropolitan Water Companies, one; by the Oxford City and County Borough, one; by the County Borough of Reading, one; by the County Borough of West Ham, one. Elected: By shipowners, three; by owners of sailing barges, lighters and steam tugs, two; by dock owners, one; by wharfingers, one. The board divides itself into an Upper River Committee consisting mainly of representatives of the counties bordering on the Upper River and a Lower River Committee consisting almost entirely of Lower River representatives.

The Liverpool harbor authority is the Mersey Docks and Harbor Board, created by Act of 1857. Of the twenty-eight members four are nominated by the Conservancy Commission of the River Mersey, *i. e.*, The First Lord of the Admiralty, the President of the Board of Trade, and the Chancellor of the Duchy of Lancaster. The remaining twenty-four members of the board are elected by the persons who have paid not less than £10 in dock rates during any year. In practice this results in combinations so that the members really represent the commercial and mercantile organizations of the port, as the Steamship Owners' Association, the General Brokers' Association, the Cotton Association, the Corn Association, etc., thus practically duplicating in part the Glasgow method.

The public trust, being the most highly organized of British harbor types and handling effectively the commerce of her larger ports merits a presentation of its (*a*) advantages, (*b*) its operations and (*c*) its historical development.

(*a*) Its great advantage in management is the directness of control, the direct connection between the causes at interest and

the power to remedy. If the harbor of a particular port were under the national legislature, Parliament, harbor questions would be dealt with by a bureaucracy or by new legislation which would have to struggle for attention against all kinds of national, colonial and international questions. Even under the care of the municipality the harbor question would have to be passed upon by people whose only interest might be in municipal sanitation, transportation, education or other problems of city life. The harbor trust and especially that of Liverpool avoids all of these entanglements by placing the harbor in the hands of a select board representing only the people who are interested in the port. The interests and the power of remedy are united and as all rules are and must be general, favoritism is impossible and the whole population of the city is benefited by anything which aids and improves the commerce of the port.

(*b*) The effectiveness of the harbor trusts is proved by the success of their work. Since 1858 the Clyde, a narrow and rocky stream has been made by the expenditure of $35,000,000 into a safe waterway and ocean steamers now lie in the stream where it was then fordable. Glasgow has been raised from comparative insignificance to the rank of a great port.

Liverpool has had an equally satisfactory experience. By Acts of Parliament of 1857–58 the Mersey Docks and Harbor Board took over the consolidated authority over the river and port and all the docks on both sides of the river. These improvements had been begun in 1709, and later, by private companies which had got into financial difficulties and sold out to the city of Liverpool in 1855, three years before the transfer to the board. The financial security based upon these properties and powers was excellent and the borrowing powers of the new management were good. Interest payments at low rates replaced the necessity of paying good dividends and operating expenses were lightened by a board whose members served without pay.

Heavy borrowings and extensive harbor improvements and enlargements were immediately made and there have from first to last been over two hundred million dollars expended upon the port. Between 1857 and 1901, the present board made capital expenditures of nineteen and one-third million pounds sterling under its borrowing powers and two and one-fifth million pounds sterling from

revenue. For the decade 1891-1901 the annual expenditure for dredging was £125,000. Along with all of these expenditures and heavy debts the financial condition of the port is satisfactory and reductions have been made in dues on both ships and goods. At the same time new docks are being dug and the facilities of the port are being steadily improved, enlarged and kept abreast of latest requirements.

In addition to docks the board owns warehouses for the storage of all kinds of merchandise and especially constructed warehouses for the storing and ventilating of grain. There are also privately owned warehouses in the city which compete with these, but there are no private docks; docks are a monopoly in control of the board.

The revenues are raised by tonnage dues on ships entering the harbor, by dues on ships entering the docks and dues at prescribed rates on the goods carried by the ships, provided it is not transshipment cargo. The finances are managed with the double object of making the port facilities of Liverpool thoroughly efficient and as cheap as possible. In the former it is succeeding. The port is magnificently equipped and complaints are rare. Surplus revenues lead to reduction in dues.

(*c*) The historical development, the natural history, of a public harbor trust can be best studied in London where for the past five years the dissatisfaction with the old private companies has been ripening into activity looking to the establishment of a public trust. At the present time, London, the commerical metropolis of the world's greatest commercial nation, still depends upon a port dominated by the old private interests of the type that perished in most of the other ports of Britain nearly half a century since. True the control is moribund and must be superseded by a more comprehensive authority. The private companies of London have survived longer than those of Liverpool or Glasgow or Southampton because they had a great commerce to spur them to great developments before the free trade era and to give them an impetus that has carried them on with declining energy to the present time, when they lie powerless to cope with present demands. The high value per ton of London commerce has probably enabled it to bear burdens that would have been unbearable elsewhere. The commerce of the port has been suffering for some years because of inadequate facilities, high charges, and delays in handling of freight. These

troubles arise partly from conflicts of authority between the various private bodies active within the port. Of these there are no less than four:

(*a*) The Trinity House, controlling pilots and the marking of channels by buoys.

(*b*) Thames Conservancy, having charge of the river and channel and improvements therein.

(*c*) The Dock Companies, owning the docks and charging for the use of the same.

(*d*) The Watermen's Company, having practically a monopoly of and control over the lighters and river boats.

(*a*) The Trinity House is derived from an ancient guild or fraternity of pilots and seamen located at Deptford Strand in Kent. It began by having certain duties in the Government Navy Yard at Deptford, but it is now confined to lighting, buoying and pilotage. This Trinity House is the general lighthouse authority for England and Wales, and Gibraltar, but its jurisdiction does not extend to many ports, having been removed by the various port Acts of the 19th century. It does the buoying, lighting and pilotage in the Thames and examines London dock masters as well as pilots.

This body is a closed corporation, being composed of "Elder Brethren" and "Younger Brethren." The Elder Brethren have sole control, filling their own vacancies by election from the Younger Brethren and recruiting the Younger Brethren by election from the outside.

In the hands of this closed corporation of private individuals the British Government leaves a considerable share of its commercial authority and the expenditure of some special revenues raised by light dues on shipping. Such are the methods of individualistic and unsystematic Britain. Complaints are not numerous, although there is danger from lack of co-operation between the Trinity House, the channel marking body, and the Thames Conservancy.

(*b*) The Thames Conservancy is the channel deepening body. This board is a creation of the same Parliament (1857) that enacted the Liverpool and Glasgow Harbor Acts and its activity has been one of the conditions necessary to the long survival of the private dock companies of the port. The Conservancy Board has entire charge of the tidal waters of the Thames, including the deepening of the channels, the regulation of vessels within the port, the licensing

of docks, piers and embankments, etc., and making necessary by-laws and regulations for the control of the river.

The revenues are raised by slight tonnage dues upon all vessels entering and leaving the port.

In addition to the danger from lack of co-operation with the Trinity House, the Conservancy Board, while affording relief in 1857 when it was created, is now financially unable to provide further necessary channel improvements and the traffic cannot stand an increase of tonnage dues.

(*c*) The dock companies have come to a similar standstill after an experience of a century. In 1800 the harbor was insufferably congested. For two centuries the customs regulations had permitted goods to be landed only on certain "legal quays" and "sufferance wharves." Cargoes were often stored on lighters for weeks awaiting turn at these favored wharves. In 1800 the West India Dock Company was authorized and was soon followed by two more. Each was given a monopoly of ships in certain trades for twenty-one years and the privilege of building and operating bonded warehouses. The companies derived their revenues from dues on ships entering the docks, from goods discharged on their quays and from the rental of warehouses. This injured the owners of "legal quays," "sufferance wharves," the lighters and others who had to be compensated by the new companies to the extent of about a million pounds sterling. The dock companies were also compelled to admit lighters to the docks to take goods from the vessels free of charge. This last privilege is called the "free water clause" and has been a part of all subsequent dock legislation and the subject of much dispute.

The great profits of the early dock companies were from their warehouses, the want of which had been the compelling motive to the building of docks. Consequently the rates on shipping were put low. The expiration of the monopolies and the refusal of Parliament to renew them was followed by a rush to build docks. Bonded warehouses were also built outside of the dock premises and the competition of the new docks and new warehouses was greatly increased by the coming of free trade and the consequent decline in the bonded warehouse business. Parliament, however, refused in 1855 to pass the bill to repeal the free water clause as the companies were still doing a profitable business, but from this time

forward their prosperity declined. Severe rate wars ensued, their finances were impaired and as the result of several consolidations, there were but two strong competing companies in 1880. In the struggle for trade each increased its debt, built fine new docks and cut rates until they came to an agreement in 1888 and were consolidated in 1900, but with hopeless finances, dividends having been nominal or entirely absent for several successive years. The capital involved was about eight million pounds in bonds and eleven million in capital stock. While unsatisfactory to the stockholders, the dock company is also unsatisfactory to the patrons and to the community at large. The free water clause gives the lighters entrance to the dock and mechanical improvements have made the lighter a large and efficient craft depending upon steam power, and used so much "that the docks in London themselves are in great measure only stations at which goods arrive from the sea to be immediately placed upon barges to be conveyed to wharves or piers at other parts of the river or to shipping lying therein."[1] It is estimated that over 75 per cent. of the freight is so handled,[2] and to the great detriment of the dock company's revenues.

The impossibility of sorting import goods on the deck of the ship preparatory to putting them over to the lighters has led to the larger steamship lines making arrangements to do this sorting on the quays and then transfer goods to lighters without paying dock dues. These constructive "overside conditions" have led to great confusion and delay. While a large ship lies alongside a quay the lighters cannot reach the quay and sometimes the ship is immediately replaced by another when it goes away so that two or even three cargoes may be piled in confusion upon one quay while the owners of the goods are losing time and paying demurrage on lighters that cannot get at the goods they have been engaged to carry. It is sometimes cheaper to pay warehouse dues and railroad freight than to wait and take cargo off the quay into the importer's own lighter.

This condition is unsatisfactory to the dock companies because they lose revenue and to the importer, the lighter owner and private warehousemen because they are delayed and thereby lose money. None of the suffering parties can apply a remedy.

The efforts of the dock companies to secure legal permission

[1] Report on the Port of London, 1902, p. 30.
[2] *Ibid.*, p. 78.

to tax the lighters has been successfully opposed by the wharf, lighter and outside warehouse interests and the London Chamber of Commerce.

(*d*) The situation in the port of London is further complicated by the Watermen's Company, the modern form of a 16th century guild, whose members obtained their membership through apprenticeship and had the monopoly of running boats upon the Thames in London limits. In its inception it was a regulation of rowboats in the interests of personal safety. By Act of 1894 the time of service before receiving license to run a boat on the Thames was reduced to two years, but it includes the river steamers as well as the freight boat, nearly 12,000 craft in all. The strike of 1900 showed that the Watermen's monopoly may be oppressive in a port where the lighter is such a vital factor in the daily work of handling freight.

Under the combined guidance of the four governing bodies and the conflicting private interests, the port of London has, by the year 1904, reached a condition of standstill where further progress is impossible. The Thames Conservancy cannot deepen the channel, the dock companies cannot build new docks or deepen old ones and the Trinity House and the Watermen's Company conflict with both. The deadlock will, in all probability, be broken by the action of Parliament, based upon the advice of a Royal Commission, which, after two years of investigation, has recommended a public trust, which shall take over the property of the dock companies and the privileges and authorities of the Trinity House, the Watermen's Company and the Thames Conservancy insofar as they pertain to the Thames and the port of London. This new and unified authority if established as recommended would immediately expend for channel and dock improvements seven million pounds, of which four and one-half million will be borrowed and two and one-half million pounds donated by the London County Council. The National Exchequer has no share in this stupendous transaction, which will represent nearly as much money as the projected Panama Canal. The revenues will be derived from tonnage dues on ships entering the port, dock dues on ships using docks, freight dues on all goods landed in the port and from license fees on lighters.

The composition of the board of directors of this new port authority as proposed by the Royal Commissioners is as follows:

"On the assumption that the London County Council and the City Corporation accept the financial responsibilities . . . mentioned above . . . the nominated members should be appointed by the following bodies:

(*a*) By the London County Council	11	members
(*b*) By the City Corporation	3	"
(*c*) By the Admiralty	1	"
(*d*) By the Board of Trade	1	"
(*e*) By the Trinity House	1	"
(*j*) By the Kent County Council	1	"
(*g*) By the Essex County Council	1	"
(*h*) By the London Chamber of Commerce	2	"
(*i*) By the Governors of the Bank of England from among persons belonging to the mercantile community of London	5	"

The elected members should be elected by different groups of voters, viz:

(*j*) By the oversea (or ocean) trading shipowners	5	members
(*k*) By the short-sea trading shipowners	2	"
(*l*) By the wharfingers and owners of private warehouses on the river	3	"
(*m*) By owners of lighters, barges and river craft, including river passenger steamers	2	"
(*n*) By railway companies connecting with the docks	2	"

The electing persons, firms or companies, should be given a number of votes varying according to the amounts paid in dues upon goods, or upon shipping as the case may be."

If this measure can survive the unexpected opposition of the London County Council, the port of London will have completed its evolution and reached the condition of the greater British ports.

This detailed account of the conditions leading up to this end may be taken as an example, rather complex because of its size, but none the less a typical example, of the difficulties through which British ports have been passing in the effort to accommodate themselves to the growing demands of modern commerce.

II. Municipal Ports.

In the early days of the breakdown of the private dock companies, the municipalities frequently undertook the management of their harbors. Usually this effort proved unsatisfactory and Bristol is now the only one of the large ports that is conducted directly and entirely by the Municipal Council, several others, including Liverpool, having sought Parliamentary approval for public trusts after an unsatisfactory municipal venture. Two minor ports, Preston and Boston, have municipal ports and the Manchester city government has taken an active part in the affairs of the port of Manchester

The Bristol docks were begun by a private company in 1803. Continuous financial difficulties led to sale to the city in 1848. In 1877 and 1881 two private companies opened rival docks further down the River Severn at Avonmouth and Portishead. Desperate competition ensued between the new docks and the municipal docks of Bristol with the result that the city, in self-defense bought out the two private companies in 1884 at less than cost and has since operated their plant as a part of the municipal system. The direct management is in charge of a committee of Councils, who employ a general manager who is responsible for the conduct of the property. The result is satisfactory. The arrangement of docks, quays, railway tracks, freight sheds, freight handling machinery serves to make Bristol an efficient port for the handling of freight and one of the leading importing ports for the kingdom. The people are satisfied with their port.

In the words of the Bristol Docks Committee: "The policy of taking over the whole of the docks by the citizens has proved an exceedingly wise one, the foreign trade, population and wealth of the city having enormously increased and the works having been maintained in a high state of efficiency, generally out of surplus revenue earned by the docks!

"The principle aimed at is not so much to make a profit as to increase the volume of traffic by keeping the tariff of charges low and providing from time to time (largely out of revenue), such further sheds, cranes, quays, railways, telephones, etc., and other facilities as the ever-changing type of traffic and vessels in which it is conducted seem to call for." They further proceed to contrast their management with that of private companies as follows: "Private

owners, seeking only to work the docks for dividends, naturally maintain a high scale of charges which is against the traders' interest. They also hesitate to expend further capital until they are actually forced to do so either by a threatened loss of traffic, or an inability to accommodate the ordinary vessel plying at the time in the different trades."

In comparing their port with those controlled by private companies the Bristol authorities lay much stress upon the fact that the rates are absolutely the same to all parties and that there are no rebates whatever. The municipality has the great financial advantage of being able to borrow its cash capital at about 2 per cent., and, with no dividends to pay, the rates of service can be low.

At Preston and Boston, the only other fully municipal ports the experience has not been so satisfactory. In both cases the towns had no harbors and the payment of high railway freights drove the people to dock building to control the freight rates. In this they were highly successful. The dues from the ports have not, however, as yet been sufficient to meet interest charges and the deficit is made up from the city taxes, but the burden is cheerfully borne. The business interests of both communities are agreed that the reduction of transportation costs, the cheapening of necessities and raw material, has stimulated trade and industry to such a degree that, upon the whole, the costly docks have paid.

Manchester, while not possessing a strictly municipal port has shared in an experience somewhat akin to that of Preston and Boston. In 1882 the people of Manchester resolved to free themselves from the necessity of conducting all import and export business through Liverpool where the port charges had to be added to a railway rate that was considered too high. The relief was to come through the Manchester ship canal undertaken by a private company who set out to make Manchester accessible to ocean vessels and receive their reward in tolls. Unforeseen difficulties doubled the cost of the undertaking, the city had to come to the assistance of the company with a first and second loan, contributing about five of the fourteen million pounds sterling. Upon the granting of the first loan the city received representation in the company and with the second loan the representation became control.

The revenues of the canal have been disappointing. The city has had to meet the interest on its stock by taxes and the private

stockholders have had little return on their investment. It is generally considered that the commerce of the place has greatly improved. The coming of ocean ships to the heart of the city has been a great aid and the opening of the canal in 1894 was immediately followed by sweeping reductions in railway freight rates. It was estimated in the first two and a half years after opening the direct saving in tolls and freight rates for the district amounted to ten million dollars. It should be remembered. however, that this saving was to the community at large and did not take the form of returns on the capital invested.

III. Private Ports.

The most important class of private ports is that dominated by the railroad companies. The coming of railways coincided with and helped to produce a great boom in all branches of commerce necessitating the reorganization of port administration and equipment. All ports that were of first importance at the time of the coming of the railroad, except London, were thus reorganized under public or semi-public control. No private enterprise could cope with the situation in a port with a large and well-established trade. At the same time there were many small, often local, ports with commerce too insignificant to warrant the building of first-class docks and harbors under the then existing conditions, and had such been desirable, they could not have been built by the weak communities that would have used the improvements. Such ports, however, offered the rapidly extending railways an opportunity to secure their coveted terminal facilities and port connections by building the same in places where land was cheap and possibilities of port development seemed propitious. So it was that the railway companies became the creators of ports or the improvers of ports, in places where the population and commerce did not warrant any other method.

Southampton is probably the most conspicuous port in the class and the list includes Cardiff, Hull, Harwich, Grimsby and many minor ports throughout the kingdom.

The history of Grimsby is a good example of the progress and development of a railway port. It is particularly good because it shows how a railway may create both a port and a city. In 1801 this port was first improved by the opening of a dock by a private

company. Later it was sold to the Manchester, Sheffield & Lincolnshire Railway. This line, running east and west through the industrial districts of Central England, desired an outlet to the North Sea and between 1846 and 1852 they built a new dock, the Royal Dock, capable of admitting the largest war vessels. From that time to the present this railway company and its successor, the Great Central Railway Company, have improved and extended the docks which are the port of Grimsby and now have a water area of 103¼ acres with great extensions in view. The convenience and efficiency of these docks are of the very best.

It may fairly be said that the railway with its harbor has made the town. Five years before the railroad dock was begun, the town had less than 4000 population, sixty years later, fifteen times as many. Similar increase occurred in shipments of coal and fish and in imports of timber and the entrances and clearances in the foreign trade have grown nearly tenfold and now exceed those of Galveston, Texas.

This railway company has not been content to act purely as a harbor maker, waiting for others to create trade. The harbor, like so much new trackage, was built to secure traffic. In 1864 Parliamentary permission was obtained to run steamers to numerous continental ports between Antwerp, Stockholm and St. Petersburg, a large steamship company was bought out and direct service by the company began in 1865. This service has been frequently improved and extended. In 1891 daily sailings to Hamburg were inaugurated. In 1889 a further Parliamentary grant authorized connections to be established with practically all ports in Scandinavia and the Continent east of Ghent.

While the railway company uses its docks as the terminus for its own steamship lines there is no monopoly and it is a harbor in the true sense and open upon payment of dues to ships of all companies and nations alike. The company built it as a terminus, but it is managed toward the public like any other public or private dock company, as for example, the London docks or the Liverpool docks. As at all British ports the dues charged are under parliamentary limitations.

The experience of this railway company with the fishing industry is a typical and successful example of the relation of the docks to the prosperity of the railway. By catering in all possible ways to the

North Sea Fisheries and the requirements of the fishing boats,[3] the company has been able to increase its tonnage dues at the docks through the entrance of fishing boats and then to secure in the fish shipments a lucrative freight business for the railway. Incidentally, population has thronged to Grimsby to carry on this work and the railway profits by the freight traffic of the city.

The history of Southampton and other railway ports might be rehearsed at length, but few new principles would appear. It would be but a repetition of the Grimsby experience with variation in details.

The tendency in British port ownership seems to be toward private ownership and in the form of railway termini. The docks of London will probably be transferred to a public trust and there may be occasional repetitions of this movement and occasional examples of municipalization; but the great ports are firmly fixed and the greater number of changes within the past thirty years have been toward the building of railway ports in the smaller cities. The British railways are consolidated into a few strong companies and the building of a dock as a part and feeder of a great system is a natural step in its development. There is a tendency in commerce at the present time toward the building up of numerous smaller ports both for the foreign and the domestic trade. Few of these places will reach importance without the railways provide the facilities. They are of the size that the railways have taken hold of in the past and the railway will usually feel the need of docks and build them before the municipality or a public trust would think of undertaking it. Such, at least has been the case in the recent past and there appears to be no reason to anticipate a change in the near future.

J. Russell Smith.

University of Pennsylvania, Philadelphia.

[3] Special fish docks were built, enterable at all times of the tide, with graving docks, floating dry docks, hydraulic coal hoists to put coal directly into fishing steamers and an artificial ice plant alongside the quay.

RELATION OF THE GOVERNMENT IN GERMANY TO THE PROMOTION OF COMMERCE[1]

Prior to the unification of the Empire in 1871, Germany represented an agricultural nation with few manufactures, with scarcely any merchant marine and with comparatively little foreign trade. Nearly two-thirds of the population was rural. Her industrial capital was small and business in general was conducted with extreme care and caution. Within the short space of a few decades, however, the situation has been strikingly reversed, and her interests, instead of being mainly agricultural, have become overwhelmingly those of a manufacturing and commercial nation. Her population, already equal to over 650 for every thousand acres of food-producing land, still shows the surprising increase of eight per cent. during the half decade from 1895 to 1900. No less than fifty-seven per cent. of her fifty-six million people in 1900 were engaged in industry and commerce as distinguished from agricultural pursuits; while during the generation from 1871 to 1900 her urban population increased fifteen and three-fourths millions as opposed to an increase of only fifteen and one-third millions for the entire country. In other words, Germany has reached an economic position which is essentially that of the United Kingdom, of a country no longer self-contained, but whose industries depend to an increasing degree upon raw materials from abroad and one-third of whose population is fed with foreign food. To protect herself against the vicissitudes of the future, Germany must necessarily become more and more an exporting and maritime nation.

Such being the problem which demands solution, it is easy to understand why the several governments, State and Imperial, have utilized every means at their disposal to stimulate trade and navigation. Indeed, government aid in Germany has been extended so as to embrace every phase of commercial activity. In the first

[1]Among the chief authorities relied upon in this sketch are the British Diplomatic and Consular Reports; The American Consular Reports; the Reports of the Commissioner of Navigation from 1899 to 1903; "Hamburg's Handel und Schiffahrt;" Lotz's "Verkehrsentwickelung in Deutschland 1800–1900;" H. R. Meyer's series of articles on German canals and railways in the *Railway Age* for 1903; and Alfred von Weber-Ebenhoft's articles "Waterways in Europe" in the *International Quarterly* for 1904. Special mention must be made of Dr. Wiedenfeld's "Die nordwesteuropäischen Welthäfen." Information has been freely drawn from this work. It proved to be extremely valuable on account of its general and exhaustive treatment of the subject.

place, German manufacturers enjoy a foreign market which has been vastly enlarged since 1891 through favorable treaty arrangements. Large sums are expended annually in fostering industrial and commercial education to an extent seldom met with in other countries and with results which have called forth warning notes from British and American Consuls in all parts of the world. The shipbuilding industry is favored not only with preferential railway rates and an exemption from the payment of customs duties on shipbuilding material, but also with a monopoly in the construction of national war vessels and subsidized mail steamers. Furthermore, the Imperial Government has embarked upon a policy of subsidizing the merchant marine. Over 7,000,000 marks are paid annually in the form of mail subsidies to those lines which are engaged in the Asiatic, Pacific and African service. While this sum is paid, nominally, for carrying the mails, there can be no doubt that an equally important reason is the desire to strengthen the navy, to free German commerce from the agency of foreign nations and to extend German trade and influence to those parts of the earth where her position is weakest and where private initiative, if left to itself, might prove inadequate.

All these methods of assisting commerce, however, constitute only a part, and perhaps the smallest part, of the general system of government aid. In her search for a short cut to commercial power, Germany, like all the great nations, has emphasized the importance of cheap and easy transportation in the winning of distant markets. Neither money nor labor has been spared in an endeavor to facilitate transportation to the innermost parts of the empire and to unite the highly ramified system of artificial and natural waterways of the interior with the larger commercial life of the ocean. It is to a discussion of this last phase of German commerce that the present paper is principally directed. In this connection it will be attempted to state briefly the essential facts with reference, first, to the control and improvement of the harbors; and, secondly, to the relation which exists between these harbors and the interior through the network of rivers, canals and railways.

I. The Management of Harbors.

Although the Imperial Government of Germany exercises a large measure of control over the merchant marine and over naviga-

tion on interstate waterways, it possesses, broadly speaking, no authority to construct or manage harbors, this function being intrusted solely to the care of the several States.

In Hamburg and Bremen the harbors are operated as State property, the work of construction being placed in the hands of a special department for this purpose and the general supervision and care of the harbor being exercised in Hamburg by a Department of Trade and Commerce and in Bremen by a Department for Harbors and Railways. Over both these departments stands the Senate of the State, which exercises the ultimate executive power. All expenditures for purposes of construction and operation are borne by the two city-republics themselves, and are defrayed from general taxation. The receipts, on the other hand, are merged with the general income of the State, there being no necessary connection between the expenditures for harbors and the receipts derived therefrom.

In the case of both these world-ports, the State either owns or controls the larger portion of the warehouse system. Bremen, for example, in return for a stipulated percentage of the net earnings, furnishes the ground and constructs the buildings, but does not interfere with the management or business activity of the system, except as regards the regulation of the warehouse dues. Hamburg, on the other hand, does not in the main assume the duty of constructing the buildings, but merely leases the ground for a certain percentage of the net earnings to a Free Harbor Warehouse Association. This association, while obliged to construct all necessary buildings and bear all financial losses, is, nevertheless, subject to a large measure of State control. To the Senate belongs the right of regulating the warehouse dues and of determining the nature of the buildings to be constructed. Likewise all acts which involve an increase in the capital stock or indebtedness of the association, or a change in its rules must be sanctioned by the Senate. Finally, the State is represented in the directorate of the association and possesses the power to suspend any act of that body until the Senate may have passed on its expediency.

What has been said concerning Hamburg and Bremen holds in a general way for the other German harbors. As a rule, their construction and management is intrusted to the care of local boards or commissions subject to the general supervision of the State:

in Luebeck to a Board of Public Works and the police authority, in Rostock to a Board of Public Works, and in Wismar to a Harbor Department. In Prussia the management and improvement of harbors is conducted either under the supervision of the Board of Public Works for each respective city or by permanent commissions, which are local in character, but which must receive the sanction of the State as regards harbor improvements and other important changes. To be specific, all harbor matters in Stettin are managed by a Board of Public Works; in Kiel, by a Harbor Commission; in Flensburg by a Harbor and Bridge Commission; in Swinemuende, by a Royal Commission of Navigation officiating as a local authority; and in Koenigsberg by a Royal Harbor Police Commission. The operating expenses, as a rule, are borne by the local communities and are defrayed from the harbor receipts.

II. Improvement of Harbor Channels.

During the last twenty-five years nearly all the leading seaports of Northwest Europe have exerted themselves to the utmost in an endeavor to adapt their facilities to the growing conditions of international trade. Indeed, practically all the leading ports, with the exception of London, have remained close rivals in this respect during the whole of this period. This strenuous competition may be attributed, first, to the rapidly increasing size and draught of ocean steamers, and, secondly, to the struggle between these ports for the Eastern trade and the consequent desire to accommodate ships of the Suez standard. The less anyone of these harbors is dependent upon the influence of tide, the greater is the advantage of that port. Hence any effort on the part of one harbor to deepen its channel or to improve its facilities for landing, loading and unloading, has resulted in a corresponding effort on the part of the other ports.

As regards the channel leading from the sea to the landing place, the German-Dutch-Belgian ports cannot be said to have been favored by nature. Whatever position these harbors now hold has been the result of vast labor and expenditure and the improvements have by no means been completed. Hamburg, until about 1850, possessed a channel measuring only from 4.0 to 4.3 meters in depth at high tide. At an enormous expenditure this depth has been increased to 8.3 meters, while arrangements have been

made for a further increase of 1.7 meters. Bremen has also labored under unusual difficulties since its original channel measured only 2.5 meters in depth. After an outlay of some 50,000,000 marks, however, this city has secured a channel which can accommodate ocean-going vessels with a draught of 6 meters.

The three Dutch-Belgian ports have each abandoned their original channel during the nineteenth century, and with the help of the State have constructed for themselves an entirely new opening to the sea. Amsterdam has received fully 37,000,000 marks from the State during the last thirty years for the improvement of the North Sea Canal and has increased its depth to 9 meters, so that all ships, except the very largest, can obtain an easy access to the port. Rotterdam, assisted liberally by the National Government, has secured the construction of a new channel at a cost of approximately 61,700,000 marks. For Antwerp the State has also expended large sums toward deepening and straightening the channel, and, according to plans now being arranged, it is intended to increase the present depth of 6 meters at low tide and 10.4 meters at high tide to 8 and 12.4 meters, respectively. In the case of every one of these ports large sums have thus been expended to secure a suitable waterway. With the exception of Bremen, each port has also plans arranged for or under prosecution, which, when completed, will enable it to receive vessels with a draught at least equal to the Suez standard.

III. Improvement of Harbor Facilities.

The rivalry between the leading ports of Europe concerning the improvement of their channels also exists in the provision of basins, wharves, warehouses and other necessary equipment. Enormous sums have been paid by most of the ports in rendering easier and swifter the process of loading and unloading. Particularly is this true of Hamburg, nearly all of whose harbor facilities have been constructed during the last twenty years. Even as late as 1866 all sea-going vessels were obliged to anchor in the open stream, and the whole process of loading and unloading had to be conducted by means of lighters. About that time, however, Hamburg began the construction of a series of improvements with the result that to-day her system of docks and piers is reputed to be the best in existence and her ship lines, according to Dr. Wiedenfeld, enjoy an

ease of communication with the shore far superior to that furnished by the English ports.

Besides possessing probably the best system of warehouses in the world, Hamburg has made admirable connection with the railways and interior waterways. Separate harbor basins have been constructed for the numerous canal and river boats where they may remain to await the arrival of steamers. The steamer basins have been constructed with a view to making a swift transfer of freight to and from vessels the prime consideration, any gain in this respect meaning of course a corresponding gain in the length of available piers. The wharves, besides being exceedingly spacious and built of durable material, are amply supplied with hydraulic machinery. At the present time the basins cover an area of 336.4 acres, while the total length of quays approximates 8.5 miles. Extensions are now being made, however, which will increase the area of the basins to 612.56 acres and the length of the quays to 12 miles. When this project is completed Hamburg will have spent some 180,000,000 marks since 1880 for its harbor facilities—of which sum the Imperial Government contributed 40,000,000 marks at the time of Hamburg's accession to the Customs Union—and this enormous outlay does not include the large sums expended in deepening and otherwise improving the channel, or in constructing the excellent system of warehouses. It only requires the further deepening of the channel, for which arrangements have already been made, and the completion of the extensions referred to above, to make Hamburg's harbor satisfy the highest requirements of modern efficiency.

What has been said of Hamburg is true of Bremen and the Dutch-Belgian ports, though on a smaller scale. In the provision of appliances for loading and unloading freight these harbors are practically on a par, and meet the latest requirements. In all, too, the construction of the harbor was so arranged that the new warehouses would be situated at once near the water and in the immediate vicinity of the large mercantile offices.

Limiting our discussion to the sums expended, it appears that subsequent to 1885 Bremen has paid in round numbers 93,800,000 marks for its harbor facilities, exclusive of the 50,000,000 marks devoted to the deepening of the channel. Of this sum the Imperial Government contributed 12,000,000 marks when Bremen

joined the Customs Union in 1888 and 1,800,000 marks towards the construction of the Kaiserdock at Bremerhafen. Exclusive of the expenditures for the improvement of the channel, Amsterdam has spent 42,500,000 marks for its harbor facilities; Rotterdam about 30,000,000 marks; while Antwerp since 1879 has paid approximately 130,000,000 francs, of which sum the State contributed considerable more than one-half. Large sums have also been expended in Stettin, Danzig, Kiel, Emden and other smaller ports on the North Sea. Stettin after an outlay of some 40,000,000 marks has secured a harbor which is not only beginning to share in the American trade, but which at the expense of Copenhagen and Gothenburg, is rapidly acquiring more and more of the Russian and Scandinavian trade. Altogether, it has been estimated that the several governments of Germany have devoted about $125,000,000 since 1888 towards the improvement of harbors, and that of this sum about six-tenths has been used for the channel and other facilities of Hamburg alone. This single port, it has been said, "has spent more money than any other two harbors in the world together during the last score of years to perfect its technical facilities."[2]

IV. Commercial Growth of Harbors.

Along with the large expenditures for harbor improvements there has followed an increased power to handle traffic and a tremendous growth in the importance of these harbors from the standpoint of international trade. This becomes especially clear if one compares the net registered tonnage of vessels entering and leaving the various ports. Thus the total net registered tonnage of vessels engaged in foreign trade has been compiled as follows for the eight leading harbors of Northern Europe:

TOTAL FOREIGN TRADE IN THE YEAR.[3]

1000 Net Registered Tons.

	1870	1880	1890	1900
London	7,116	10,577	13,481	16,701
Liverpool	6,773	9,659	10,941	11,668
Hamburg	3,200	5,529	10,417	16,088
Bremen	1,325	2,345	3,482	5,032
Antwerp	2,282	5,982	9,022	13,366
Rotterdam	2,096	3,368	5,754	11,733
Amsterdam	714	1,463	2,068	2,972
Havre	2,321	3,912	4,419	4,406

A glance at the above table will show that the tonnage of Ham-

[2]Wolf von Schierbrand: "Germany: The Welding of a World Power," p. 201.
[3]Wiedenfeld's "Die nordwesteuropaeischen Welthaefen," p. 361.

burg in 1900 (16,088,000) is but slightly less than the tonnage of London (16,701,000); while Antwerp and Rotterdam each has a tonnage which about equals that of Liverpool. It appears, furthermore, that the tonnage of the three ports of Hamburg, Rotterdam and Antwerp has increased during the last thirty years by 443 per cent. as opposed to an increase of only 135 per cent. for London, only 72 per cent. for Liverpool, and 90 per cent. for Havre. Indeed, during the single decade from 1890 to 1900 the total net registered tonnage for the first three cities increased over 63 per cent., whereas for London, Liverpool and Havre the increase but slightly exceeded 13 per cent. For the year 1902 the total imports and exports of Hamburg were approximately $1,707,664,000 and for Antwerp $660,060,000, as opposed to $528,741,000 for Bremen, $1,260,290,000 for London and $1,138,700,000 for Liverpool. It is interesting also to note that the combined trade in tons of the four ports of Koenigsberg, Danzig, Luebeck and Stettin has increased by approximately 50 per cent. during the decade from 1890 to 1900, or at a rate not very much below that of Hamburg and Bremen.

V. Construction of Canals and Canalization of Rivers.

The extraordinary growth which we have just noted in the sea navigation of Hamburg, Bremen and the Dutch-Belgian ports can only be explained by their good connection with the German interior. It is the relation to a large and productive interior, more than any other factor, which determines the international importance of harbors, and Hamburg, be it said in this connection, is more favorably situated than any other city of the Old World. Its influence extends not only over most of Germany and Austro-Hungary, but, as regards certain commodities, even into Russia and Switzerland. Besides being the terminal of seven systems of railways, this port receives the traffic drained by an extensive network of inland waterways which carries its influence into central Europe. The Elbe and Moldau rivers, navigable for a distance of 582 miles, secure for Hamburg the trade of the region around the important centers of Magdeburg, Dresden and Prague. The Saale, Havel and Spree rivers drain the commerce of Thuringia and Berlin; while the Oder-Spree and the Finow canals make tributary to this port a large portion of the trade from Silesia, the whole Upper, Middle and Lower Oder, as well as the Warthe. In

large measure this extensive system of waterways is navigable for ships of 400 tons, and, in the main, does not require the payment of tolls.

Bremen, as contrasted with Hamburg, is at a disadvantage when we consider inland navigation, its influence being confined chiefly to the relatively unimportant Weser. The Dutch-Belgian ports, however, derive traffic from the rivers and canals of nearly the whole of Northwest Europe. Besides controlling the trade of the numerous waterways of Holland and Belgium, they share in common the commerce of the Rhine. This river is navigable as far as Mannheim (a distance of 560 km.) for ships of 1500 tons, and to Strassburg (700 km.) for ships of 800 tons. Through its principal tributaries—the Meuse, the Mosel and the Main—it also draws to these ports much of the trade drained by the numerous canals of France and Western Germany. The Meuse, for example, has been rendered navigable through canalization for ships of 300 tons for a distance of 600 kilometers. Through canals this river has also been connected with the Rhine, the Seine and the Sâone-Rhone, thus making tributary, especially to Rotterdam, much of the trade from all of Northern and Eastern France. The Mosel, navigable to Nancy for 200 ton ships, is likewise united with the system of French canals. The Main has been canalized so as to be navigable for ships of 1500 tons as far as Frankfort, for 120 ton ships as far as Bamberg, and from there has been connected with the Danube through the Ludwig canal. Proceeding still further up the Rhine, we find that Strassburg has been united with the whole of Alsace and with the Sâone and Rhone by means of canals which can accommodate ships of at least 200 tons.

This extended account of existing waterways is given with a view of showing the extent to which the State has assisted commerce by constructing canals and canalizing rivers. The importance of such aid cannot well be overemphasized. Transportation by water has decided advantages over transportation by rail insofar that cheap and bulky commodities can be carried much more cheaply over long distances, and, secondly, because tolls on those artificial waterways of Germany which belong to the State are levied strictly in accordance with the cost of maintenance and replacement.

These two advantages of water transportation—cheap con-

veyance for bulky commodities and a tariff policy varying with the cost of maintenance—are of fundamental importance in Germany where the railways constitute a State monopoly used largely as a revenue producing agency of the government, and where the leading manufacturing centers and the principal sources of fuel and raw material are situated remotely from the coast. This becomes especially apparent when it is remembered that the receipts per ton-mile concerning the traffic on the rivers in Germany varies between 0.176 ct. and 0.519 ct., and upon the canals from 0.346 ct. to 0.692 ct.,[4] whereas for the railways the average earning per ton-mile in 1899 was about 1.42 cents. Roughly speaking, therefore, the rates on the rivers and canals may be said to be about one-third as high as those charged on the railways. Moreover, there is the important consideration that subsequent to 1875 the average receipts per ton-mile on the waterways decreased about 50 per cent. as opposed to a decrease of only 15 per cent. on the railways.[5]

Along with these low and declining freight rates has gone a marvelous increase in traffic. During the twenty years from 1877 to 1897 the number of canal and river boats increased 28 per cent.; the carrying capacity of these boats, however, increased during the same period to 3,400,000 tons or 143 per cent.; while the actual traffic increased 159 per cent. Practically all the recent canal projects of the country have in view the accommodation of 600 ton ships west of the Oder and 400 tons ships east of that river. In 1900 the canals and rivers carried approximately 24 per cent. of the total traffic of the country, the average haul being 320 kilometers or twice that on the railways.

It is from the standpoint of the import and export trade of the leading ports, however, that the importance of interior waterways has shown itself most prominently. By weight about one-half of the export trade to the Dutch ports from the region along the Rhine and about three-fourths of the import trade moves by river. Indeed, during the decade ending in 1900 the trade of Rotterdam by way of the Rhine has nearly trebled and at present exceeds the railway traffic of the city by almost two times. Likewise, of the extensive trade between Hamburg and the region tributary

[4] H. R. Meyer: *Railway Age*, July 17, 1903. pp. 62.
[5] *Ibid.*

to the Elbe and Oder rivers and the Oder-Spree canal, over four-fifths by weight and nearly three-fifths by value is carried by water.

These figures illustrate the tremendous importance of inland navigation in developing industry and in enlarging the export trade. Yet in the effort to extend water-routes to every part of the Empire Germany has been only one of a number of European countries, which are all striving to accomplish the same end. Some notion of this activity may be gained from the statement that since 1830 Belgium has spent in the neighborhood of five hundred million francs on its inland waterways. France, according to its programme of 1879, has already devoted thirteen hundred million francs toward the improvement of its rivers, canals and harbors; while Austria and Russia are likewise executing extensive improvements along this line.

In Germany, moreover, projects are under consideration, which, if carried out, will add greatly to the 5495 kilometers of artificial waterways existing in that country. The Prussian Canal Bill communicated to the Landtag in January, 1901, proposed an expenditure of nearly four hundred million marks. Besides providing for the opening of the whole region of Silesia by means of canals, and the canalization of a number of important rivers, this bill empowered the government to construct a Rhine-Weser-Elbe-canal, an Oder-Vistula canal and a large waterway between Berlin and Stettin. The Elbe and Oder being already connected, this bill contemplates a union of the five great rivers of Germany which flow into the North and Baltic seas. Among numerous other projects may be mentioned the proposed enlargement of the Danube-Main canal, and the plan of Austria to unite the Danube with the Elbe-Moldau and the Oder. If these plans are realized, it will mean not only a union of the five great rivers of Northern Germany with their numerous tributaries and branch canals, and a continuous waterway from end to end of the German Empire, but through the Rhine will also mean a union of these waterways with the Seine, the Sâone and the Rhone. Moreover, the Danube will be connected through separate canals with the Rhine, the Elbe and the Oder, thus constituting an uninterrupted water-route from the North Sea to the Black Sea. The principal obstacle to the realization of these larger plans is the opposition of the Agrarian Party. But Germany is rapidly outgrowing its agricultural conditions, and there is every

reason to believe that an important form of State aid to commerce in the future, as in the past, will be the construction of canals and the canalization of rivers.

VI. Influence of Preferential Railway Rates.

In the foregoing pages the discussion has been concerning the improvement of harbors and interior waterways. It now remains to discuss briefly the manner in which the State has endeavored to facilitate transportation by rail.

Owing to the central position of Germany in Europe, her ports and railways must necessarily compete with those of the surrounding nations. To meet this competition and to assist in developing home industry and the export trade, the railway management of Prussia has from time to time introduced numerous so-called preferential railway tariffs. In the main, these tariffs have also been adopted by the other German States, the various railway managements presenting in this respect a united policy in the interests of the whole nation. Compared with the rates of other leading European nations, these preferential tariffs are conspicuously low, and are applicable at present to no less than 63 per cent. of the total railway ton-mileage of the country.[6]

A detailed examination of these preferential rates shows that they operate to the advantage of the German North Sea harbors as opposed to the Dutch-Belgian ports, the Russian Black Sea harbors and the Austro-Hungarian ports on the Adriatic. Even at the expense of its own seaports, Prussia has granted preferential rates to Hamburg and Bremen in order to assist them in their competition with the harbors of Northwest and Southwest Europe. Thus, for example, to divert traffic away from the Dutch-Belgian ports preferential rates are granted in the trade between the German coast and the Rhine-Westphalian region on tobacco, cotton, fish, coffee, rice and a variety of other commodities, the rate being as low for the distance from Essen to Bremen as for the distance from Essen to Amsterdam.[7] Likewise, to counteract the influence of the harbors on the Adriatic and Black Seas, preferential rates are

[6]For a complete statement of all the preferential railway rates in force on the Prussian State lines in 1897, see the list prepared by Mr. W. S. H. Gastrell (British Accounts and Papers for 1898, vol. xcii, p. 54). For the most important additions to Mr. Gastrell's list of 1897, see the list prepared by Mr. Robert Collier (British Diplomatic and Consular Reports, No. 574, Miscellaneous Series, Feb., 1902. A Report on Prussian Railways).

[7]Wiedenfeld: "Die nordwesteuropaeischen Welthaefen," p. 322.

accorded to cotton, tobacco, coffee, rice, hides, iron ore, petroleum and a large variety of articles which are forwarded via Germany to Austro-Hungary, Russia or Roumania.[8]

Other instances may be mentioned to show that where the interests of German industry or international trade make it desirable, the German railway managements have not refrained from granting preferential tariffs without regard to the nationality of the port. To illustrate, the Dutch-Belgian ports, though deriving a large share of their trade from the interior waterways of Germany, are also dependent for another large portion upon the railways of Germany. It is true that much of their trade is diverted to the North German coast; but on the other hand, they enjoy the benefits of special rates in the exportation of such commodities as coal, grain, iron and other minerals and the importation to Southern Germany and Switzerland of products like coffee, tea, cocoa, pepper and rice.[9]

One other important feature of the German system of railway rates remains to be noticed, namely, the so-called Levant and East African Traffic Tariffs. According to these tariffs, introduced respectively in 1890 and 1895, largely reduced rates are granted by the State railways to goods exported from the interior of the country to a large number of places in the Levant and East Africa, as well as to stations on the Oriental and East African railways. Aside from a reduction in the usual rates, these traffic tariffs also offer the advantage of sending goods on through bills of lading from the place of departure to the foreign point of destination. Summarized according to different classes of goods the reduction in freight afforded by this arrangement is as follows: "For the goods of Special Tariffs II and III only 1.5 to 1.7 pf. is charged instead of 3.5 and 2.2 to 2.6 pf., for the goods of Special Tariff I only 2.0 to 3.0 pf. instead of 4.5 pf., for all other goods in car-load lots only 3.0 to 3.4 pf., for piece goods only 3.5 to 4.5 pf. instead of 6 to 11 pf. per km".[10] In general the rates are about one-half as high as the ordinary rates and appear to be unusually low as compared with the tariffs of other European nations. The British Select Committee in its report on foreign ship subsidies for 1902 shows that the cost of transportation on the German railways, as concerns the Levant and East African tariffs, is only one-third to one-fifth as high for

[8] Wiedenfeld: "Die nordwesteuropaeischen Welthaefen," p. 322.
[9] *Ibid.*
[10] *Ibid.*, p. 323.

a large number of commodities as the British rate and concludes that "these reduced rates have been and are fixed in accordance with the experience gained in Germany as regards the working cost per train-mile over long distances and that the primary object is the building up, promoting or increasing of German export trade to the countries in question and the enabling it to complete successfully with the trade of other foreign States to those countries."

Summary of Results of Germany's Policy.

From the foregoing review it must appear that State aid to commerce in Germany has been both liberal and general. It has manifested itself prominently in industrial and commercial education, in the development of the shipbuilding industry and the merchant marine, in the improvement of harbor channels and harbor facilities and in the construction of canals and the promotion of transportation by rail. Much of this assistance has been given by the States as distinguished from the Imperial Government. In the main, however, the several States have acted in harmony, and, as was seen in the case of Prussia, have not unduly emphasized local interests to the detriment of other parts of the Empire. Their funds have been expended judiciously and in a manner not at all prejudicial to national progress.

Viewed from the standpoint of material results, the paternal attitude of the Government towards commerce has been productive of wonderful results. Since 1872 the import and export trade of the country has increased by 72 per cent. and 100 per cent., respectively, and the exports of £233,890,000 in 1902 compare very favorably with the British exports of £277,552,000 for that year. Moreover, Germany has become a daring investor and promoter. Official estimates place her foreign investments at about five billion dollars, or a sum equal to half the foreign investments of Great Britain. The growth of her shipping has also been phenomenal. During the twenty years ending in 1900 Germany has increased the steam tonnage of her merchant marine elevenfold; while the total tonnage has increased nearly fivefold. From fourth place which she held in this respect in 1880, she has risen to second and has increased her portion of the world's entire merchant fleet since that date from 6.6 to nearly 10 per cent. Her shipbuilding industry has sprung into existence almost wholly since 1871 and has developed

so as not only to provide for the greater share of her own rapidly increasing demand for ships, but also to fill orders for other countries. In a word, the progress of Germany has taken place along all lines, in manufacturing, trade, shipping and shipbuilding. However important other factors may have been in bringing about this general advance, there can be no doubt that Germany furnishes an excellent example of the salutary influence which the State may exert in fostering those phases of commercial activity upon which the domestic prosperity and international prestige of a nation is principally dependent.

SOLOMON HUEBNER.

THE PRESENT PROBLEMS IN THE ECONOMIC INTERPRETATION OF HISTORY[1]

To the man of theory and often to the man of practice the study of history seems a useless occupation. Both have an interest in the present and demand solution for present problems. Has history anything to offer these men and can its methods be applied to the investigation of present conditions? At first sight the theorist gains little from its perusal. He finds the attention of historians limited to events of little present importance; wars occupy more space than the avocations of peace and personal affairs are discussed to the neglect of social tendencies and principles.

If a reader overlooks the prolix statements of non-essentials to which some historians are prone and seeks principles to guide present action what does he find but the familiar assertion, "History repeats itself?" Driven back from history, the searcher for present guidance once more resorts to theory in the hope that some light may be struck that shows the road he is blindly seeking. But all in vain.

Is there no link between these two disconnected methods of research? Must the past be interpreted by a method that yields no valuable results and the present by a method that discards all reference to the past?

This opposition and these defects continued for a long time before any remedy was suggested. Historians sneered at the theorist and the economist had an openly expressed contempt for those who did not use his methods. It is only of late that a new method of research has arisen, giving to history a wider meaning and offering to the economist a test for his theories.

Progress in this direction has, however, been slow. The historical appetite for facts is in a measure satisfied by the study of the economic conditions of earlier times. It acted as a limitation on theorizing to know that the conditions economists emphasized as parts of a perpetual economy were of recent origin and have application to but a small section of humanity. The doctrines of

[1]An Address delivered at the International Congress of Arts and Science, St. Louis, September 1904.

free competition, personal liberty, free trade, individual bargaining and like tenets of the current economic philosophy thus lost their position of supremacy and sunk into the company of the minor doctrines that are plainly limited by time and space.

The resulting changes in mental attitude are in a large measure due to the efforts of the historical economists who taught the limitations to which all economic doctrines are subjected. Yet in spite of a breadth of view and great command of facts they did not destroy the old school but merely compelled its adherents to make more modest statements. This failure was due to the lack of a method of historical interpretation in harmony with the facts they were using and the conditions they were investigating.

Economic history and the economic interpretation of history are different concepts and have been forced upon public attention by two different groups of thinkers. Economic history is a question of facts—of the discovery and utilization of those facts of yesterday of which the economist of to-day avails himself. The economic interpretation of history is a study of these data and of the method of utilizing them. It enables us to reason about past events in the same way we reason about present events and to find common principles that will apply to both. Economic dogmatism concentrates attention on the dominant features of a given age or nation. Economic interpretation eliminates dogmatism by comparing the dominant features of many ages and clearly presents their points of difference and similarity. In this way a new theory arises with a broader basis and more closely in touch not only with history but also with the sciences from which the economic premises come.

There are, however, two diverging lines of thought, each of which is called an economic interpretation of history. One group of men ask what light can history throw on present events? Their interest is in the present and they use history as a method of interpreting it. The other group ask: What light can our knowledge of present events and conditions throw on those of past ages? The first group assumes a knowledge of the past superior to that of the present and hopes to use this knowledge to clear away the difficulties of interpreting contemporary events. The second group contends that our knowledge of present economic conditions is greater than that of past ages and hence that it can help us to supplement our meager knowledge of the past.

If we wish to be accurate in the use of terms this first viewpoint should not be called an economic interpretation of history, but an historical interpretation of the present. That which is interpreted is not history but current events, while the method used is not economic but historical. It is only the second viewpoint that attempts to interpret history and does it by an economic method.

It will add to the clearness of the contrast if the term "history" be eliminated. History in both cases is used in a popular way and as a result its interpreters fall into a needless conflict with those historians who want the facts of the past rather than their present significance.

It would be clearer to speak of the social interpretation of current events instead of the historical interpretation. Those who employ this method are interested in social affairs and use social methods of investigation and social principles oftener than historical methods and principles. It is still more clear to speak of the traditional interpretation of current events. The facts presented and the ideals emphasized are those which, wrought over into popular tradition, have become motives prompting intuitive response. The popular historian seizes the telling events of the world's history and by recounting them vividly tends to make people act to-day as their forefathers acted in the epoch-making struggles through which the race has gone. "Act to-day as your fathers acted in their day." This advice may seem the hand of history, but it is the voice of tradition. The economic interpretation of history starts with an analysis of present conditions and opens the way to a theory of social causation. In contrast with this method the historical interpretation of present events accepts the traditional view of the past and uses social prediction as a means of exerting social influence. The prophet strives to be a social leader. Economic interpretation as a method thus stands in contrast with social prediction. There is no real opposition between economics and history or between economics and sociology. It is only in the field of prediction that opposition appears. The scientific historian avoids the conflict by refusing to predict, but as the historian becomes modest, the social enthusiast becomes bolder, and, using the same methods as the predicting historian, he falls into similar errors.

Should social investigation begin with a study of the past and predict events from it as a base, or should a study of the present be

first made and its results be used to interpret the past? Of the past we have social tradition; of the present we have economic knowledge: Which is the more reliable as the basis of deduction?

Were not the knowledge of the past defective its study might give a starting point equally valuable with economic interpretation that starts from the firm foundation of present fact. The first canon of social prediction is, "History repeats itself." A series of repeated effects occurring under similar social institutions gives ground for the judgment that these institutions will always produce like effects.

In contrast with this, economic interpretation starts with the assumption that like economic causes produce like social results. Prediction can be made from one race or civilization to others only as the economic conditions back of them are the same. It is not like race, like institutions, like tradition or like consciousness of kind but like economic conditions that give a sound basis for prediction. Social prediction is of necessity based on data drawn from different races, institutions and civilizations. This evidence has little value unless a similarity of economic conditions exists as the antecedent of race, institution or civilization. An economic interpretation of past events must therefore precede valid prediction.

There are two channels in which thought runs and two bases on which it rests. The physical environment of a man is made up of objects upon which welfare depends. The force that perpetuates and increases this contact is desire. No object is a part of the conscious environment of men until they desire it or the means of avoiding it. Thought based on desire or arising out of its influence is plainly economic. But thought has another element not derived from the immediate objects of interest: This is tradition. Past conditions and events do not persist. The events and conditions of to-day cease with to-day, but new ones appear to-morrow. Economic conditions are thus short-lived, but the habits and thoughts that yesterday's conditions evoked live on and modify the present.

The newer biology makes the distinction between natural and acquired characters and affirms that the latter are not inherited. All acquired knowledge must pass from generation to generation by the repeated impressment of habits and thought upon the individuals of succeeding generations. This knowledge depending on constant repetition for its continuance, is tradition and imitation is its great

vitalizing force. Economic thought is the social expression of desire as tradition is the social expression of imitation. These two forces control current events and the differing interpretations of the past and the present depend upon the relative emphasis given them.

Professor Giddings has shown that the stimuli arousing activity are of two orders.[2] The original stimuli come from the immediate environment; the secondary stimuli are the products of past social life kept alive in the present. These products of past social life have, however, only one way of being continued and that is through the constant repetition that creates tradition. The original stimuli also are of no importance unless they awake response and this response is desire.

Changing the viewpoint from stimuli to that of response to stimuli, makes desire and tradition the sole forces that determine present action. In this contrast tradition includes all of the products of past responses that have been continued through imitation reinforced by repetition. These traditions blend and as they blend they become the basis of history, institutions and ideals. Desire operating under favorable conditions creates mobility of men and goods. This mobility concentrates men in productive regions who bring with them the traditions of the localities they leave. The mixing of population forces a blending of traditions. Opposing elements are suppressed while similarities are emphasized and around them the old traditions cluster in new forms. These blended traditions are elevated into morality, broadened into ideals and projected as standards of future action.

Each new mingling of population due to an increase of resources makes a breach between economic conditions and inherited social traditions. Before an equilibrium is re-established a transformation of tradition takes place, giving higher ideals and better institutions. The breach between economic thought and social idealism is thus steadily widened and the opposition between them is more pronounced. In its lower forms tradition is the result of conflict and reflects the opposition arising when men contest for the meager results of isolated localities. It is usually expressed in race feelings and hatreds. In its higher forms, however, tradition is an expression of likeness. A consciousness of opposition and fear is replaced by a consciousness of kind.

[2] A Theory of Social Causation, a paper read before the American Economic Association at the New Orleans meeting.

Each element in a composite population has its own traditions which blend with other traditions only when the common points are emphasized and the antagonisms are suppressed. The oft-repeated stories of the old life are retold so as to interest larger audiences. To each group of hearers the newly-told story can have a meaning only when it incorporates some of the tradition with which it is familiar. Writers and orators instinctively suppress points of discord and blend and elevate what appeals to all. Tradition is thereby transformed into idealism and becomes a standard far above that realized by individual men.

Government in England, for example, is plainly a group of traditions. Transferred to America it becomes political institutions, transferred again to cosmopolitan France it appears as political ideals, while in centralized Germany it is further transformed into social democracy. Each step has resulted from the discarding of local antagonisms and the emphasis of generalized truth.

Because of the simple conditions under which the Republican party arose it could concentrate its attention on three evils, Rum, Romanism and Rebellion, but in recent years to meet the conditions of a more composite population it has been forced to elevate its standards and to generalize its principles until it appeals to the classes, sections and races it formerly antagonized. The narrow tradition of the primitive American is thus transformed into a broad liberalism and the American Government becomes capable of handling race problems that our forefathers left untouched.

A labor leader who undertakes to organize unskilled laborers finds a race consciousness built up on race antagonism. When his thought is translated into the language of his hearers, words are used which express the hatreds surviving as race traditions. The employer is associated with the foreign misrule and the pent-up feelings which in their old homes went out against their race oppressors, are turned upon him. A class consciousness is thus developed that submerges the race antagonisms of earlier epochs and prepares the way for a broader citizenship. Race responses are replaced by class responses and these by social co-operative responses, which in turn are elevated into a democratic cosmopolitanism. Every transformation of tradition gives to its standards a greater coercive force. The result is idealism which by covering the future as a social projection gains a universality akin to religion.

Social mobility arises from the pressure of increasing desire; social stability from the growth of tradition. Social projection is the union of the two to be realized only in the distant future. With these forces at work there can be a steady transformation of tradition from a crude form of ancestor worship to an attractive social Utopia where all ideals become realities.

I give below some of the stages through which thought passes during this transformation. In a rough way they indicate the line of progress though no claim is made to strict accuracy:

Imitation,	Biography,
Tradition,	History,
Ancestor worship,	Romanticism,
Hero worship,	Literary lore,
Primitive poetry,	Individualism,
Precedents,	Idealism,
Codes,	Social democracy,
Morality,	Social projection.

Social democracy fixes the attention on the present and hence tends to emphasize the distribution of wealth. Social projection pictures an improving future and concentrates interest more on the accumulation of the wealth and the bettering of industrial processes than on its distribution and consumption.

I hope it has now been made clear that the traditional interpretation, the historical interpretation, the social interpretation and the idealistic interpretation of current events are practically the same. They differ from one another only in the degree that the idealistic transformation of thought has taken place. They all strive to influence the present and to improve human conduct through the study of past examples. The blending of traditions accomplishes this result and hence tradition and history pass over into idealism by easy stages. Economic practice becomes tradition and tradition is restated until it is transformed into institutions, ideals and social principles. All this helps to make good conduct, but it is not a safe basis for prediction.

We cannot accept this traditional interpretation because tradition has been transformed by its growth. Still less can we accept an "economic" interpretation of current events, because other

than economic causes have helped to shape the present. The "all economic" or material interpretation of the present is defective because it neglects the effect of heredity and tradition on human conduct. The traditional or idealistic interpretation is likewise defective because it neglects the changes in economic conditions that make present sequences in events different from those of the past. Through the economic interpretation of the past the similarities and differences in present and past conditions are brought to light and the limitations to social prediction become manifest.

Nor is economic interpretation the method of economists as opposed to that of historians and of sociologists. Economists are bound as tightly as other thinkers by the chains of tradition. The rapid development of the Ricardian tradition is evidence of this. Nor is the new thought exclusively the work of economists. Von Ihering's "Evolution of the Aryan" stands the tests of economic interpretation better than does the work of Karl Marx. The theory of exploitation is the transformation of a class tradition into a form of idealism. This is of social importance, but not an economic law.

I give below some of the canons of economic interpretation so that the validity of social creeds may be more easily measured. Economic interpretation tests these as science tests the miraculous in nature.

1. Like economic causes produce like social effects.
2. Progress depends on the increase of resources.
3. An economic interpretation of past events must precede an historical interpretation of present events.
4. Economic interpretation must precede social prediction.
5. Social causes have economic antecedents.
6. A study of economic epochs should precede a study of nations and races.
7. Traditions blend which in their union strengthen and elevate each other.
8. The greatness of men is due not to their moments of inspiration, but to the conflicting disciplines to which they have been subjected.

Much of the present confusion of thought would be obviated if it were kept in mind that progress depends on an increase of resources. In the study of an epoch or nation it must first be deter-

mined whether resources are decaying or improving. The decline of Rome was inevitable as soon as Italian resources fell off. Rome could extend its rule by conquest and make individuals and even armies wealthy by plunder, but this burden on the conquered races helped their decline, which in turn further weakened the Roman State.

It was the long, steady pressure of decaying resources that crushed Rome as it has crushed other nations similarly situated. Immorality and extravagance hurt to-day, but they have little permanent influence if the creation of wealth has gone on unimpeded. Each age brings up new men under the discipline of work and their descendants give tone to the succeeding age. Should they drop out through wrong-doing, their places are filled by a new generation of workers as new blades of grass come in the place of those cut. Give rain and we have grass; give work and we have men.

We need not go beyond the domain of geography to seek the error in the social and historical lore that is made the basis of current prediction. The region occupied by the Western civilizations of the Old World is divided into two parts by the Alps and the chains of mountains that extend eastward. Asia Minor, North Africa and the south slope of Europe are thus one geographical unit. The north of Europe forms a similar geographic unit. The Gulf Stream gives up its moisture to the Northern Plain. The westerly winds in the central basin are dry, bringing little moisture from the ocean beyond. Droughts are common and the source of great misery. The vast northern plain suffers from an excess of rain and from a lack of sun. Its crops, like the cereals can stand plenty of rain, while root crops prevail in the central basin where heat and sun are abundant though rain is deficient. I need not go into details to show that these two regions stand in marked contrast and that scarcely a physical feature which is important in the one prevails in the other. If economic forces count, these two regions should produce radically different civilizations, institutions and social traditions.

The German differed essentially from the Roman when the two civilizations came in contact. But as the Southern civilization proved superior the traditions, institutions and culture of the South were impressed on the North and so thoroughly has this work been done that the imposed institutions and social traditions now seem a second nature. We have so completely exchanged ancestors

that we think in the terms of the Roman, Greek and Semite rather than in terms of the German. We accept as precedents the traditions developed to meet the conditions of the dry, hot South and forget to test them by a comparison of the two environments. Roman precedents are good in North Europe only in so far as their physical characteristics are the same.

Viewed in this way it will be seen how completely predictions based on the conditions of the South fail when applied to the North. The history of the Southern regions shows a succession of races and nations each having a period of prosperity followed by a period of decay and a final disappearance. That nations have a period of youth, manhood and decay—that the history of each individual life is repeated in the history of nations—is a view based on the economic conditions of Southern Europe and Western Asia.

But is this law of the rise and decay of nations a general law or a peculiarity of the region where Southern civilization arose? It is plainly a local law. I have only to show that the slight rainfall of these regions has geologic causes in order to demonstrate that the decline of nations was due neither to social conditions nor failings, but was the inevitable result of changed climatic conditions.

Progress is due to the increase of resources; decline in civilization follows a failure of resources. A tragic end awaits a nation cramped by a reduction of the food supply. There are many ways of proving this, but I shall take a bold one that demands some imagination. The land masses of this Central Basin seem in early historic epochs or in those that immediately precede them to have risen to higher levels, converting many depressions occupied by lakes and seas into sandy wastes. Lower the level of the Sahara by 500 feet and it would become an inland sea. When this region was covered with water the southwest winds were moist and carried abundant rains to the eastern plateaus. Arabia and Persia could then have lakes where now there is only blowing sand. The high lands would have a verdant foliage and be fit centers for growing nations.

When civilized men gained a foothold in this region the elevation of land may have been completed and the decline in rainfall begun. The uplands would so become fine grazing land and the lowlands would be centers of agricultural activity. Careless tillage and the destruction of trees would increase the natural denudation

of the uplands and render them less habitable. This would force an unrest in the upland population, a movement to lower levels and a struggle for their possession. This contest once begun, would be a perpetual process. Each downward movement of population would develop a new civilization enduring until another unrest in the highlands brought a new horde of barbarians to destroy it and in turn to develop a new one. Region after region was thus denuded and civilization after civilization fell before the steady pressure of the upland races forced out of their habitat by the increasing dryness. A decreasing rainfall and an increasing denudation of land forces nations to move rapidly through the various stages of progress and in the end crushes them through the lack of resource.

There is, therefore, a long series of these short-lived nations, each repeating the other's history, because back of them were the same processes of growth and decay. The tradition of these sequences is the basis of the maxim that history repeats itself, while the struggles to resist invasion by developing the hero idea gave rise to the modern notions of character. But the law is neither an historical nor a social law; it is merely the pressure of geologic changes on the civilization of a given region. Outside of the great central basin the law fails of verification because the climatic conditions are altered.

In marked contrast with these climatic conditions are those of the great Northern Plain of Europe. A rank vegetation keeps up the fertility and usually replaces what is lost. Each generation sees North Europe more productive and capable of supporting a larger population. Growth and stability will thus be a characteristic of the Northern nations so long as the Gulf Stream flows. They have a perpetually improving economy giving a firm basis for enduring social institutions.

No nation of North Europe goes down as the Southern nations went down one after the other. A reconstruction of national boundaries often takes place; but with each reconstruction comes a period of renewed growth and prosperity. France has been the only apparent exception. Instability in government followed its great social revolution and gave to traditional views a new life. But order and stability have again been restored and the steady progress of France compares favorably with other nations.

If this be true the traditional view of the course of history

needs correction and the mass of Southern traditions imposed on Northern nations by the new civilization that Christianity brought, must each be tested by means of a comparison between the conditions under which it arose with the conditions that now prevail. The narrowness and defects of Southern traditions will then be exposed and the ground cleared for a new view of history based on the conditions and experience of North Europe.

The realization of this great break in economic conditions due to the transference of civilization from the South to the North of Europe and the consciousness that many of our cherished traditions are abnormal, help us to a fruitful study of present conditions. A new break of similar magnitude has been made by the transference of civilization to America.

The civilizations of North Europe are enduring because their basis in climatic conditions is secure; but while enduring they are narrow and cramped because their food resources are so limited. A wet, cold climate is good for grass and the cereals and therefore bread and meat become the standard of life. The pressure of population raised their price and kept the common people poor and dependent. Under these conditions a civilization could continue, but not without great abnormalities due to high prices. All these restraints were escaped in America and for the first time a natural level of food prices permits a normal development of civilization. Not only has America a better food supply than Europe, but the barriers to commerce have been so far broken down as to make the food supply of the whole world available at our great centers.

A new civilization is now possible to which those of the past can offer few analogies. Individual struggle has practically ceased. A sufficiency of food comes to the unskilled laborer and the increase of population even when augmented by a million immigrants a year does not increase the pressure. We have higher standards to-day with 80,000,000 people than we had two generations ago with 40,000,000 people and we could support 300,000,000 with as great ease and with as little individual struggle. Surely this is a break of a magnitude that the world has never before seen and should be followed not only by a great uplift in social standards, but also by changes in traditions, institutions and ideals that will separate our civilization from its predecessors and give it not only perpetuity but breadth.

The facts on which this judgment rests are so familiar that they will, I fear, make dry reading. Our resources and growth have been often pictured, but men do not realize what they mean. They think of our traditions, institutions and ideals, transferred in the main from other civilizations, as unchangeable possessions and fail to see the growth and transformation through which all things social go. I must repeat these familiar facts, however, to make my point as to the present importance of the economic interpretation of history.

The Great Central Plain of North America is a vast storehouse of food. We have the wheat that Europe has, but we have it more abundantly. We have more extensive grazing regions and with corn for fodder have superior facilities for raising cattle. Pork never took its proper place in the diet of the world until the great cornfields of the West came into existence. Of all these stable articles of ancestral diet vast quantities more might be raised without putting undue pressure on the soil. Our warm summers and clear climate make root crops even more productive than the cereals. To think of the changes in diet that the cheapening of sugar has made is to realize in a measure what an increase of population will follow the full utilization of available root crops. We have combined the resources on which the civilization of North Europe depends and those which made the ancient civilizations of the South. The emigrants from South Europe find here a possible diet like that of their home countries and in its use they evoke qualities in our soil that lay dormant as long as the Northern races were fed from it.

In addition to these home possibilities the nearness and accessibility of the semi-tropical regions, of the West Indies and Central America make many new foodstuffs available and in quantities practically unlimited. Measured in food, these regions can support as great a population as can the United States; and cost is less than that of the home supply. We need only a fruit and a vegetable-loving population to utilize these new food materials, and it is at hand in the emigrants from Southern and Central Europe who already have habits and traditions favorable to a vegetable diet. Surely, then, their influence will cause a break in Anglo-American traditions and a nearer approach of the American diet to the possibilities of American conditions.

This food supply could not be made available nor could the absorption and assimilation of Southern races take place without the recent cheapening of the cost of transportation. Even delicate fruits can be carried halfway round the world at a reasonable cost and with ice and cold storage they can be evenly distributed throughout the year. The new diet can, therefore, have a freshness and variety superior to any before available.

Coincident with this improvement in food and transportation have come social betterments that have lengthened life and made people more healthy. Great scourges like the medieval plagues are no longer possible and fevers are so well under control that they have ceased to be grievous afflictions. A normal length of life is for the first time possible to the working population and when traditions of hygiene and right living have developed among them, suffering from ill health will be a negligible quantity.

To attain all these advantages a rapid increase of capital is necessary; and fortunately the growth of the saving instinct has kept pace with other improvements. A slight change in the rate of interest calls forth capital enough for our great enterprises. There is as little limit to its growth as there is to our other resources. When it is freely used by healthy, well-fed men civilization enters a stage distinct from any of its past forms.

Food, health, capital and mobility of men and goods are the four essentials to progress. All of them are now abundantly supplied and capable of indefinite increase. Must not this be the basis of a great social transformation, changing our institutions, habits and traditions until they establish a social adjustment as complete as the present economic situation permits? If there was a break in traditions, institutions and ideals when civilization moved from Southern to Northern Europe a still greater crisis is before us when American civilization matches American possibilities. History repeats itself when economic conditions remain static, but the crude application of its maxims aggravate evils when economic transformations are in progress.

The picture I have drawn of economic changes will not be complete without a third illustration of the limits of social prediction. Progress having hitherto been on race lines, tradition emphasizes the idea of race supremacy. Sharp distinctions have been drawn between nations and their habitats; and one's own kindred are as-

sumed to be right, while strangers and enemies are wrong. The mountaineer is pronounced superior to the plainsman, the countryman to the urban dweller and the men of cold regions to those of hot climates. Buckle's contrast between the emotional East and the intellectual West is a western tradition without geographic truth. Just as baseless is the dictum that political stability is impossible south of the frost line.

It is also claimed that civilization must be Teuton or Anglo-American in racial quality, and that its environment is a narrow strip of the temperate zone in North Europe and America. But in fact the barriers to the expansion of civilization on which these traditions rest have been swept aside. More than ever civilization is economic and far more extensive than before are the geographic bases of material prosperity. The essentials of progress, security, food, health, capital and mobility of men, of goods and of thought are now found in many regions outside the wheat belt of the north temperate zone and other races than the Germanic possess the combination of essentials and benefit by it. The expansion of civilization to new places and races has begun and will not end until the level of Southern and Eastern life has been raised to that of the North and West. Cuba and Porto Rico have to-day better conditions than Virginia had two centuries ago and in Japan is a happier combination of essentials than could have been found in Elizabethan England. Surely if England and Virginia could make men under their conditions, Japan and Cuba can likewise attain the level of our present civilization.

Great as is the good that flows from the bettering of economic conditions, a still greater springs from race assimilation and the blending of traditions that succeeds economic contacts. Society is perpetuated through its traditions rather than through its heredity. Mobility of goods is less necessary to a general advance than is mobility of thought. By contact we shall raise our own ideals and gain as much as the Eastern and Southern races will. Religion, morality, political institutions, public law and literature will all be revivified, lifted and freshly idealized.

The intellectual and national awakening of the races of Southern and Eastern Europe and of Japan shows the presence of a leaven that will transform their static traditions into dynamic forces more vivid than those of the Anglo-American. And the moral awakening

in England and America which demands fair play and justice for men of other races and lands is an index of a broadening and elevating influence that will delocalize Anglo-American traditions and make us truly cosmopolitan. Such interruptions and transformations of tradition narrow the realm of social predictions as strictly as do the modifications of economic conditions.

The present crisis demands a knowledge of the transformation in tradition when breaches occur between it and the economic situations in which it arose. But we cannot safely go into an unknown future with a mere knowledge of present economic conditions. Nor can we safely follow the traditions of the past formulated as the basis of historical and social prediction. We must study the past through the present and the present through the past. This is economic interpretation and it is a vital present need.

Simon N. Patten.

University of Pennsylvania, Philadelphia.

COMMUNICATION

THE POLICE SYSTEM OF LONDON

The police system of London is probably the most satisfactory feature in its government. A foreigner who is asked for his impression of our city usually commences with an encomium on the London policeman. The typical policeman is a well set-up fellow, of no great intelligence, but with a good deal of common sense; he is invaluable in regulating the stream, or rather the torrent, of traffic down our busy streets; he is useful when one wants to find one's way about and I have known his advice asked and accepted even on such points as the best theater to go to or the nearest dentist.

A closer study of London policemen will reveal a slight point of difference; it is in the cuff on the sleeve of their uniforms and you learn that the red and white cuff is the mark of the city policeman, while the blue and white cuff is the badge of a member of the Metropolitan Police Force. You have come across another example of the dual system which pervades London Government; that which centers round "the City," the historic London and that which concerns itself with the far greater area of the rest of the metropolis. We must consider each separately.

The Metropolitan Police Force was created in 1829 by public statute. The Metropolitan Police District established thereby embraces the whole of what is now the County of London and any part of any parish or place within 15 miles of Charing Cross which the Crown with the advice of the Privy Council may be pleased to include. An Order in Council issued in 1840 included parishes in Middlesex, Surrey, Kent, Essex and Hertfordshire. The size of the area is 688 square miles. Besides this district, the jurisdiction of the body we are considering extends to the Royal palaces, His Majesty's Dockyards and stations and the River Thames. The government of the police force throughout the rest of the country is in local hands In the Metropolis, however, it is removed from all local control and is administreed through the Home Office. The chief official is the Commissioner of Police of the Metropolis, who is appointed by the Crown by warrant under the Sign Manual. He possesses very extensive powers under the provisions of the different Police Acts. From time to time he makes and issues police orders and regulations which are subject to the approval of the Secretary of State. He may suspend or dismiss any member of the force. He is empowered to make regulations as to dogs not under control—such for instance as the famous "Muzzling Order" of Sir Charles Warren. He has also a large number of miscellaneous duties to perform, such as that of licensing chimney-sweepers, pedlars and hackney and stage carriages and their drivers. Though he is appointed a Justice of the Peace for Middlesex, Surrey, Hertfordshire, Essex, Kent, Berkshire and Buckinghamshire, he is not permitted to sit in quarter or general sessions except for purposes immediately connected with his office. He may not sit in the House of Commons during his

term of office or for six months after its expiration, and, though he may vote at an election, he must not exercise his influence in favor of a candidate for a constituency in any county in which he is authorized to act. He receives a salary of £2000 a year and is assisted by three Assistant Commissioners appointed in the same way and subject to the same disqualifications. There is a further officer known as the Receiver who acts as Trustee and Treasurer. He receives all payments and pays all outgoings; he enters into contracts and holds property. For this purpose he is a corporation sole with perpetual succession. The Head office of the Metropolitan Police is in Scotland Yard.

Constables are enrolled by the Commissioners under the authority and to a number approved by the Home Secretary. Besides their ordinary common-law powers, they have numerous special duties and to possess the right of executing in any part of England without endorsement, a warrant issued by a metropolitan police magistrate. On certain terms, additional constables may be appointed at the cost of the individuals who want them. Constables are exempt from serving on juries or in the militia. They are conveyed at a reduced rate by the railway companies. Until 1887 they had no vote at Parliamentary elections. In that year, however, they were given the franchise. Moreover, a constable who is prevented by his duty from voting at his own polling station is entitled to do so at any other, on a production of a certificate from the chief constable.

The City Police is regulated by a number of Private Acts commencing with one passed in the year 1839. Its jurisdiction is limited to the City of London, which, though only of an area of 671 acres, forms the heart of the whole metropolis. The City Police, like the Metropolitan Police Force, is under the command of a Commissioner; but he is appointed by the Common Council of the city subject to the approval of the Crown. He can be removed for misconduct by the Crown or by the Court of Aldermen. He sees to the organization of the force, the appointment and dismissal of constables and the regulation of traffic. In these matters, however, he acts subject to the regulations of the Court of Aldermen and the Home Secretary. There is also a Police Committee of the Common Council, the most important duties of which are the fixing of the numbers of the force, the providing of police stations and the apportionment of police rates to the different wards.

The Metropolitan Police and the City Police are thus quite distinct entities. Yet it has been enacted that with a view to combination in times of emergency, the Metropolitan Police may be authorized by a Secretary of State at the request of the Lord Mayor to act in the city under their own officers, and vice versa.

We have now to consider the number and cost of the police force in the two areas. Fortunately for our purpose the financial report of the Metropolitan Police and the annual report of the Police Committee of the City Corporation have been issued quite recently.

The Metropolitan Police Force numbers 16,000 men. Their distribution and pay on January 1, 1904 were as follows:

Chief Constables	5	£600 to £800
Superintendents	30	320 to 495
Inspectors	513	132 to 394
Sergeants	2,101	94 to 158
Constables	13,868	66 to 92
Total	16,517	

The population of this area is between six and seven millions. Taking it at 6,500,000, we find that there is approximately 1 policeman to every 400 inhabitants. One-fourteenth of this number, however, are on leave every day in accordance with the regulation granting one day's leave of absence in a fortnight to every man. The total ordinary expenditure for last year was £2,200,000, which on the same basis of population makes the cost just under £6 8d. per head. In reality, however, the rate-payers contribute barely half of that amount. The police rate is limited by a Statute of the year 1868 to 9d. in the £, and of this 5d. is borne by the rates and 4d. is contributed by the Government out of the Local Taxation Account. Thus for the year ending March 31, 1904, £800,000 came from the rates and almost exactly £1,000,000 from the Government. The balance was made up from miscellaneous sources, such as fines at the Metropolitan Police Courts, which yielded £50,000 and licenses for the proprietors, drivers and conductors of public carriages, which amounted to £40,000.

The authorized strength for the city police for public service, as stated in the last report, was 1002 of all ranks. Fifty-six more were employed on private service. The immense disproportion between the day and the night population of the city may be realized from the fact that, whilst there is one policeman for every 333 of the day inhabitants (as compared with 1 in about 400 in the Metropolitan District), there is 1 policeman for every 27 of the night population. On the latter basis the average cost per inhabitant was £4 4s. 10d. The total cost of the force for last year was £174,000 of which £122,000 was contributed from rates on the different wards and £40,263 from the resources of the corporation. The value of the property reported as stolen during the year was £20,000, of which 27 per cent. was subsequently recovered. Seventy-nine candidates for admission into the force were examined during the year. Sixty-four of these were accepted and 15 were rejected.

The entire cost of the police force throughout the whole of London is thus £2,374,000 and the total number of men is nearly 18,000. Although for seventeen years policemen have been able to vote at elections, it cannot be said that as a body they have any political influence. Nor do questions relating to police management form any plank in election platforms. Londoners as a whole are well satisfied with the existing system. The London County Council have been suspected at times of harboring the design of acquiring the control of the police. Such a step, however, would meet with an immense amount of opposition in the Metropolis and it is most unlikely that, at least for many years to come, a Government will be found to ask Parliament to sanction it. On the other hand the separate administration of the Metropolitan and City Police is generally

felt to be anomalous and inconvenient; and in this respect it is possible that a reform may be introduced at no distant date.

HERBERT M. ADLER,
Barrister-at-Law.

Inner Temple, London.

BOOK DEPARTMENT

NOTES

DISSERTATIONS ON LEADING PHILOSOPHICAL TOPICS, by Alexander Bain, LL.D., Emeritus Professor of Logic, University of Aberdeen, is a collection of fifteen essays,[1] mainly philosophical and psychological, all but two of which have been reprinted, practically unchanged from *Mind*, where they appeared through a series of years. One of the remaining two articles, on "The Scope of Anthropology and its Relation to the Science of Mind," was a paper read to the British Association, in 1885; the other, "On the Pressure of Examinations," is a defense of examinations in schools, being a criticism of a protest against the examination evil, by Mr. Auberon Herbert, in 1888.

THE OFFICE OF THE JUSTICE OF THE PEACE IN ENGLAND: ITS ORIGIN AND DEVELOPMENT,"[2] by Charles Austin Beard, Ph.D., a dissertation begun under the direction of Prof. York Powell of Oxford, and completed under Professor Osgood of Columbia University, is a study in the history of English local government. It deals with the origin of the office of the Justice of the Peace and its establishment and its development during the Tudor Period, ending with the accession of James I. There are chapters dealing with the relation of the Privy Council to the Justice of the Peace, the Constitution of the office and the procedure of the Justice Court.

WILLIAM PENN,[3] by A. C. Buell, is an interesting book that reviews the career of the founder of Pennsylvania from the standpoint of one who has little patience with and no sympathy for Quakerism, and yet who has the highest respect and greatest admiration for Penn himself. Mr. Buell's thesis seems to be that Penn was great in spite of his being a Quaker, a view somewhat novel at least to most students and writers. While there is some basis for criticism of the Quaker settlers of Pennsylvania, his vigorous denunciation of them as a "fanatical rabble" (p. 264), "witless zealots" (p. 225), etc., is neither merited nor justified.

The book is a study of Penn as an agent and promoter of secular civilization rather than as a religious character. The treatment of Penn himself is dispassionate and scholarly, the author regarding him as an "overpowering statesman" though not enough of a practical politician to avoid making an occasional mistake. The Code which Penn drew up for the West Jersey Colony is pronounced "the greatest code in popular government that has fallen from the pen of mortal man." One feature deserving especial commendation is the

[1] Pp.vi, 227. Price, $2.50. London, New York and Bombay: Longmans, Green & Co. 1903.

[2] Pp. 184. Price, $1.50. Studies in History, Economics and Public Law, Vol. xx, No. 1. New York: The Columbia University Press, 1904.

[3] Pp. vi, 368. Price, $2.25. New York: D. Appleton & Co., 1904.

insertion of the full text of Penn's valuable description of the Indians as he saw them in 1682–83.

Some slight errors exist, namely, "1751" for "1651" (p. 6), "initiation" for "imitation" (p. 28), the date of the "walking purchase" should be 1737 instead of 1733 (p. 348), a reference to the "Established Quaker Church" (p. 286), and calling Joshua Carpenter a Quaker (p. 349).

The book is interestingly written and it is well worth reading for it justifies itself by its sympathetic and yet non-partisan consideration of the motives and actions of its "great" and "good" subject.[4]

France and the United States, by Jules Cambon,[5] consists mainly of speeches delivered by the author while he was ambassador of France to the United States. The addresses are preceded by two essays, the first of which is a sympathetic appreciation of Pierre Loti's "Iceland Fisherman." The second, on "Diplomacy and the Development of International Law," has value because it defines diplomacy from a contemporary diplomat's point of view.

As a diplomat and a patriotic Frenchman he seeks by all possible friendly devices to link together France and the United States. So, whether he speaks to patriotic societies in New Orleans or Washington, to university faculty and students in Chicago or New York, his theme is fundamentally the same. He would show to America France as she is; recall past acts of friendship between the two countries, etc.[6]

The friends of the late Prof. Carlo Conigliani have recently published a collection of his economic and financial essays which furnish abundant proof of the versatility of their young author.[7] Not many of them, however, are of interest to the American reader not specially drawn to the study of Italian conditions. Most of them have already been published in Italian periodicals. Among those of a theoretical character are the essays on "Profit," on Loria's "System of Economics and the Scientific Laws of Finance." There are also essays on "American Building Associations," "Gladstone" and "English Finances and Monetary Doctrines in Mediæval France."

Pierre de Coubertin, well known in this country as a clever historical writer, issues each year an interesting summary of the preceding year's events, under the title "Chronique de France."[8] These summaries, first published in 1900, are not mere catalogues of events, however. In fact, the event usually forms merely the background, the starting-point for a philosophical disquisition on French character, on the economic, social and political condition of the nation. Nearly every aspect of the life of the people is discussed from the author's standpoint. There are sections on the literary movement of the year, the progress

[4]Contributed by Paul F. Peck, Ph.D.

[5]France and the United States: Essays and Addresses. Pp. 90. Price, $1.00. New York: D. Appleton & Company, 1903.

[6]Contributed by Helen Scott Davison, Bryn Mawr College.

[7]*Saggi di Economia politica e di Scienza delle Finanze*, by Carlo A. Conigliani. Pp. 743. Price, 8 lire. Torino: Fratelli Bocca, editori, 1903.

[8]*La Chronique de France*. Publiée sous la direction de Pierre de Coubertin. 2me Année, 1901 and 3eme Année, 1902. Pp. 266 and 272, respectively.

of French colonial enterprises, the development of French science, etc., all in compact, incisive and attractive form.

DESERVING OF HIGH PRAISE is Dr. Samuel B. Crandall's "Treaties: their Making and Enforcement."[9] Although not such an elaborate treatise as Butler's recent work on the "Treaty Making Power" it contains valuable information not found in the latter work and the material is far better digested and arranged. Part I treats of the historical origin and development of the treaty making provision of the Federal Constitution, the methods of negotiation and ratification in the light of precedents, the part played by the House of Representatives in the making of treaties, the various forms of international agreements and the execution of treaties. Part II is devoted to a discussion of the making and enforcement of treaties in foreign countries, particular attention being given to Great Britain and France. Particularly interesting is Part III, which treats of the operation of treaties, the time of going into effect, rules of interpretation, termination, etc. The value of Mr. Crandall's work has been recognized by the Department of State and an edition of his monograph has been purchased for the use of the American legations abroad.

WITHIN THE PALE, by Michael Davitt,[10] the well-known Irish agitator, is a story of the Russian Jew, ending with the Kishineff Massacres in the spring of 1903. Mr. Davitt reviews the history of the race and religious questions in Russia from the viewpoint of a personal observer and describes vividly the atrocities at Kishineff. The twofold purpose of Mr. Davitt's book is to "arouse public feeling against a murder-making legend and to put forward a plea for the objects of the Zionist movement."

IF ANY ONE may be said to have written *the* history of England, it was Green. That service has never been performed for America, but Mr. Henry W. Elson[11] has given us a work which makes us hope that it may yet be written. His aim is "to present an accurate narrative of the origin and growth of our country and its institutions in such a form as to interest the general reader." This single volume contains about as many words as President Wilson's recently published five-volume history, but it is hardly the equal of that work in some other respects. The style is often attractive and nearly always tolerable.

Since the author has made very little use of source material, nothing striking, either in matter or treatment is to be expected. The story of discovery and colonization is told in much the same old way. Had Professor Osgood's notable work on the "American Colonies" appeared earlier, Mr. Elson might have profited by following more closely the treatment which evidently he had found only in outline in magazine articles. This is particularly true with regard to the distinction between the different kinds of colonies.

It is gratifying to find that Mr. Elson has not followed many of his prede-

[9]Pp. 255. Price, $1.50. Studies in History, Economics and Public Law. Vol. xxi, No. 1. New York: Columbia University Press, 1904.

[10]Pp. xiv, 300. Price, $1.20. New York: A. S. Barnes & Co., 1903.

[11]History of the United States of America. Pp. xxxii, 811, xl. New York: The Macmillan Company, 1904.

cessors in assuming that the next thing of any real consequence after the landing of Columbus was the sailing of the *Mayflower*. The *Susan Constant* is mentioned by name and a reasonable amount of space is devoted to the first permanent English settlement. But any one familiar with the story of the Regulators must feel that they deserve more than three lines. The Civil War was a great event, but one may be pardoned for doubting if it deserves one-sixth of all the space given to our history. However, the matter of proportion is a difficult one to settle and it is likely that a committee of experts would find it no easy task to agree upon this question.

Where there is so much to praise it may seem invidious to find fault, yet this is just what the book needs. With the necessary correction it may become an almost ideal one-volume history. At this late day one is surprised to find a serious historian giving credence to the old Pocahontas myth and to the more fully exploded one of the sword reputed to have been sent by Frederick the Great to Washington. Poor old King George has had enough to bear without being made to answer a petition from the Colonists by thundering out a proclamation of rebellion. The thunder preceded the receipt of the petition. The well-known names of Breckinridge, J. E. B. Stuart and others are misspelled. Mistakes in well-known dates throw doubt upon the author's accuracy where he has departed from commonly accepted figures without giving any authority therefor. The date of the Bland-Allison Act is given as 1875, though it is referred to elsewhere as passed in 1878, which is the correct date. According to Stanwood the highest vote received by Blaine in the Republican Convention of 1892 was 182, against Mr. Elson's 132. In view of recent activity against the trusts the Sherman Anti-trust Law would seem to deserve a fuller explanation.[12]

MODERN SOCIALISM,[13] edited by R. C. K. Ensor, is a valuable collection of writings of modern European Socialists. There are chapters by Sydney and Beatrice Webb, Millerand, Kautsky, von Vollmar, John Burns and others, while the topics discussed embrace a wide range. The programmes of the Socialistic parties of the different countries are given. Curiously enough no American writer is represented and scarcely any reference is made by the editor to America outside of a brief paragraph, in which he expresses the opinion that Socialism may come to us "in a flood." The articles are well chosen and the book will be of service to students, particularly in showing the political significance of the movement in Europe.

IT WILL BE NEWS to many people to learn that England is troubled with the immigration problem. Such is, however, the case. In his volume on "The Alien Immigrant,"[14] Major W. Evans-Gordon, M.P. (lately a member of the Royal Commission on Alien Immigration) is a first hand study of the Jewish immigrant. The body of the book describes a visit to the Russian centers.

[12]Contributed by David Y. Thomas, Ph.D.
[13]Pp. xxxvii, 388. Price, $1.50. London: Harper & Bros. Imported by Charles Scribner's Sons, New York.
[14]Pp. xii, 323. Price, $1.50. London: William Heinemann. Imported by Charles Scribner's Sons, New York.

The recommendations of the Royal Commission are given and the American experience is recited. The author believes in a restricted immigration under the oversight of some responsible department.

West Virginia University Documents Relating to Reconstruction, edited by Prof. W. L. Fleming,[15] is a series of reprints illustrating the peculiar social, political and economical conditions that prevailed in the Southern States after the Civil War. Four numbers have appeared. They are "The Constitution and Ritual of the Knights of the White Camelia," the "Revised and Amended Prescript of the Ku-Klux-Klan," "Union League Documents" and "Public Frauds in South Carolina," etc.

Especially Opportune is a revised and enlarged edition of William Dudley Foulke's "Slav or Saxon,"[16] first published in 1887. It is Mr. Foulke's thesis that a great struggle between Slav and Saxon for the supremacy of the world has already begun. The recent and abundant evidence of Muscovite ambition since the publication of the second edition in 1899 Mr. Foulke thinks confirms the prophecy made in the original edition of his book. Intriguing Russian diplomacy and broken promises in regard to Manchuria and Korea which led to the war with Japan, Russia's perfidy towards Finland in destroying the liberties of her people and the exile of the most distinguished Finnish citizens, the outrages against Jews, and the arbitrary confiscation of Armenian church property are some of the additional counts in the indictment against Russia. The United States, Mr. Foulke insists, should unite with England and Japan in the demand that Chinese markets shall be open to all nations on equal terms and that "not another foot of Chinese territory shall ever be ceded to Russia." A treaty guaranteeing the territorial integrity of China, he declares, would be of inestimable value to mankind. Concerning the present struggle he expresses the opinion that if Russia is victorious Japan will cease to exist as a nation and will be "russified" after the manner of Finland, and that the Russian despotism, language, literature and religion will be imposed upon the conquered race.

The "Metric Fallacy," by Halsey and Dale,[17] treats of the present status of the metric system in various countries. The fallacy, according to the authors, consists in the belief that countries in which the metric system may be legally used are using that system to the exclusion of others. As a statement of the existing chaos in weights and measures the book is admirable, though many of the objections to the metric system are equally applicable to any system intended to diminish the present confusion. The advantages of the metric system are very lightly touched upon even if they are appreciated by the authors, whose caustic treatment does not add weight to their argument.[18]

[15]Price, 15 cents each. Published by the Author, West Virginia University, Morgantown, W. Va.
[16]Pp. 210. Price, $1.00. New York: G. P. Putnam's Sons, 1904.
[17]Pp. 231. Price, $1.00. New York: D. Van Nostrand Company, 1904.
[18]Contributed by F. H. Safford, Ph.D.

THE CHARITY ORGANIZATION SOCIETY of New York City is to be congratulated upon the social service it has rendered by publishing as the first annual report of its Committee on the Prevention of Tuberculosis, "A Handbook on the Prevention of Tuberculosis." The handbook is a volume of some 400 pages, which reviews the work of the committee and contains in addition special articles by such experts on various phases of the subject as Dr. Hermann M. Biggs, Dr. S. A. Knopf, Dr. A. Jacobi, Miss Lilian Brandt, two sets of plans for a municipal sanitarium, lists of institutions treating tuberculous patients, bibliography, etc. The volume will be of great value to all who have to deal not merely with specific cases of the disease but to those interested in housing reform and preventive work in various cities.

IN HIS BOOK on Governor Tryon of North Carolina, Mr. Marshall DeLancey Haywood[19] declares that ever since he learned to rely upon documentary evidence rather than the individual opinions of writers he has been convinced that history has dealt too harshly with the memory of the Revolutionary Governor of that colony. He regards it as entirely natural that Tryon did not turn at the outbreak of the Revolution against the monarch who had twice confided to him the government of important provinces—North Carolina and New York. "In New York his years of toil in the upbuilding of that province have been to a large extent lost sight of, while the minutest details of his hostility are cherished and exaggerated . . . Tryon committed no act during the entire Revolution which did not have its counterpart in the warfare carried on by Americans." The book is well written, and prepared with an evident desire to tell the truth, the whole truth and nothing but the truth.

A CENTURY OF EXPANSION, by Willis Fletcher Johnson, A.M., L.H.D.,[20] is a popular presentation of an interesting phase of American history. The author directs attention in the Preface to the fact that the history of American expansion is "something far more than a record of geographical extension, or even of wars and treaties. It involves the history, in large measure, of constitutional development and interpretation, of domestic institutions, of foreign relations and of our whole national life." The opening chapters are devoted to the English Conquest of the Ohio Valley in the French and Indian War, the acquisition of the Northwest Territory through the expedition of George Rogers Clark and of a part of the Mississippi Valley in the negotiations at the conclusion of the Revolutionary War.

The author makes several mistakes in matters of detail. His statement that after the French and Indian War England left the territory south of the Ohio to the Colonies (p. 13) ignores entirely the royal proclamation of October 7, 1763, in which the charter rights of the original colonies were disregarded, the governors of the Atlantic colonies being expressly forbidden to make any grants of land beyond the heads or sources of the rivers which flow into the Atlantic Ocean (cf. Winsor's "Mississippi Basin," pp. 428–31; also Winsor's "Westward

[19]Governor William Tryon and his Administration in the Province of North Carolina, 1765–1771. By Marshall Delancey Haywood. Pp. 223. Raleigh: (Uzzell), 1903.
[20]Pp. xi, 316. Price, $1.50. New York: The Macmillan Company, 1903.

Movement," ch. iv). Two slight inaccuracies occur in the brief reference to the expedition of James Willing (p. 45). This expedition did not stop in Natchez, but continued to New Orleans, capturing an English merchant vessel as far down the river as Manchac. Contrary to the author's view, Natchez did not at that time belong to Spain, as the conquest by Galvez did not occur until nineteen months after this expedition started from Pittsburg. In fact, this expedition was not directed against the Spanish at all, but was intended to procure oaths of neutrality from the inhabitants of British West Florida, who were living along the Mississippi River. It is surprising to note the fact that the author gives full credence to the Marcus Whitman legend (pp. 187–89). He makes the startling contention that the United States should not have "accepted any compromise whatever" in the "54.40" contest (p. 190).

The most serious defect in the book is the inadequate treatment, or the entire omission, of important phases of some of the subjects discussed. Under this head should be placed the account of the peace negotiations in 1783 and the movements which culminated in the annexation of Texas. His discussion of the constitutional right of the United States to acquire new territory (pp. 105–6) is not convincing. His position with reference to the comity of nations and international equity is unfortunate (pp. 306–7).

The book is written in an attractive style and will instruct as well as entertain.[21]

To the series of the Bibliothèque d' Economie Sociale mentioned in the Annals for March, 1904, M. Henri Joly has contributed a volume on "L'Enfance Coupable."[22] In this he continues his studies outlined in a former volume on "Corruption de nos Institutions" for M. Joly finds that the increase of juvenile crime is due in large measure to the break up of some social institutions, as the family, apprenticeship which leads to begging on part of children and to the increase of morally abandoned children. Certain customs of courts and institutions are sharply criticised. The book deserves a reading by those dealing with dependent and delinquent children.

American Pauperism and the Abolition of Poverty, by Isador Ladoff,[23] is largely made up of an ill-adjusted mass of material from reports of institutions, State Boards of Charities, Government bureaus, etc., with comments by the author. The book is written as a critique of capitalistic society. The tables given are probably true and there is no doubt that the social conscience needs quickening. It may be questioned whether all such things will be avoided under a socialistic regime as the author believes.

The Government and the Civil Institutions of New York State, by Robert Lansing and Gary M. Jones,[24] is a little book devoted (1) to a review of the growth of the province of New York as shown by the provisions of the various

[21]Contributed by Franklin L. Riley, Ph.D., University of Mississippi.
[22]Pp. 222. Price, 2 fr. Paris: Lecoffre, 1904.
[23]Pp. 230. Price, 50 cents. Chicago: C. H. Kerr & Co., 1904.
[24]Pp. 204. New York: Silver, Burdette & Co., 1903.

Constitutions, and (2) to a critical and analytical study of the present State Constitution. There is a chapter on political parties and elections and a brief resumé of the rights and duties of citizens. The book is intended to supplement a treatise on Federal Government and institutions to be used as a text-book in the schools.

To write a series of essays which shall criticise strongly various social evils of a proud people and which at the same time shall explain the spirit and interpret the life of that people to strangers somewhat suspicious of what comes from that land is no easy task. In his volume on "The Present South" Mr. Edgar Gardner Murphy[25] has done just this with remarkable success. Mr. Murphy, formerly a pastor in Montgomery, Alabama, now executive secretary of the Southern Educational Board, is an inheritor of the old traditions of the South. He would be the last to claim that he spoke for the Southerners—he speaks as one. Yet this little volume is one of the most important books which the South has produced in many a year. It is not certain that all Southerners will endorse it unreservedly, but it is a powerful and dignified utterance of a typical, educated man of the South upon home problems.

Mr. Murphy discusses from various points of view the development of democracy in the South out of the old aristocratic régime. As a result there is some repetition which in nowise detracts from the interest of the book. Three great problems are treated: education, child labor, the negro. There is no attempt to minimize the evils in the present situation, but their genesis is traced and measures of meeting them discussed.[26]

Manuel de Morale et Notions de Sociologie, par Gaston Richard,[27] contains a clear analysis of the province of morals and sociological principles. The author says in the first part of his book that morals has for its object, theoretically, the whole of the relations between knowledge and action; practically, the relation between personal conduct and the conditions of social order from which the personal conduct is inseparable. The author regards ethics or morals as a science. In the second part of his book, "Notions Elementaires de Sociologie," he defines the position of sociology to be "between the pure descriptive studies; history, ethnology, paleontology and the abstract and analytic studies of which political economy is considered a type. It is less concrete than the former and less abstract than the latter."

A history of sociology is given and some discussion as to the two methods: the deductive and abstract and the inductive and concrete. An analysis is made of the value of statistics and other collected data. In conclusion he discusses the question of progress, showing the optimistic and pessimistic view. The author is inclined to the optimistic view.

[25]Pp. xii, 334. Price, $1.50. New York: Macmillan Company, 1904.
[26]Contributed by Carl Kelsey.
[27]Pp. 103. Librairie Ch. Delagrave, Paris.

MR. WOLF VON SCHIERBRAND'S "America, Asia and the Pacific,"[28] is a forecast of the part which the Pacific Ocean and the lands contiguous thereto are to play in the future history of the world. It is the Pacific and its shores, islands and vast inland regions, the author says, which are to become the chief theater of events in the world's history. They are to become what the Atlantic and the countries bordering thereon were in the eighteenth and nineteenth centuries. For the mastery of the Pacific a long and gigantic struggle embracing all the leading nations of the globe is soon to ensue. The equipment of the various contestants, their points of strength and weakness are examined and the conclusions advanced that the United States is the best equipped nation for the coming struggle. If the people of the United States will only make wise use of their opportunities this nation will play in the Pacific the dominant note in the concert of the great powers. Of our rivals for the mastery Germany is the most dangerous and France the least. So Japanese competition need not be taken into account while Russia will emerge from the present war too weakened to cope with us in the struggle. The talk of "yellow peril," Mr. von Schierbrand says, was started by Russia, is unworthy of consideration and should be relegated to the limbo of oblivion. The part to be played by the Isthmian Canal in the extension of our trade with South America and our commercial opportunities in China are the subjects of stirring chapters. The Dutch East Indies are likely, the author believes, to be lost to Holland and the chances are they will fall into the hands of the United States.

FULL OF WHOLESOME PHILOSOPHY and interesting suggestions is Prof. N. S. Shaler's little book, "The Citizen,"[29] the aim of which is to "set forth the relation which the individual bears to the government that controls his conduct as a citizen." Professor Shaler addresses himself primarily to young men and women whom he says are commonly but erroneously supposed to be incapable of understanding "large matters relating to the management of public affairs." With this frame of mind the author undertakes to describe in sixteen essays the elemental facts which young people should know concerning the relation of the citizen to the society and government of which they are a part. Some of the many topics discussed are the beginnings of government, the nature of liberty, the limits of freedom, the practice of citizenship, party allegiance, the citizen and the law, the origin and distribution of wealth, education, health, immigration, suffrage, the negro question, imperialism, municipal government, etc. In the discussion of these topics little evidence of partisanship can be found. The author's view of the negro question is sensible and in accord with the Booker Washington idea of industrial education. Strongly in favor of an educational qualification for suffrage he yet protests against the dislike of the negro as a race, condemns severely mob violence and lynch law and in a plea for freedom of opinion takes occasion to criticise somewhat caustically those who after the late war with Spain refused to tolerate opposition to the Government's imperialistic policy.

[28] Pp. ix, 334. New York: Henry Holt & Co., 1904.
[29] Pp. 346. Price, $1.40. New York: A. S. Barnes & Co., 1904.

Professor Shaler's little book is well adapted for use in the schools on account of the excellent collateral reading which it furnishes for a course in the study of Civics.

THE MESSAGES AND PROCLAMATIONS OF THE GOVERNORS OF IOWA, compiled and edited by Prof. B. F. Shambaugh, of the University of Iowa, published by the State Historical Society, is a five-volume series of 400 to 500 pages each carefully compiled from the Territorial and State documents and arranged chronologically. The value of such a service as Professor Shambaugh has rendered, especially to the future student of history, will best be appreciated when we attempt to realize the value of a similar service, had it been performed, in the older States. The completeness of such a work requires the insertion of many particulars which are not of general interest, yet these same particulars serve to fill out the details of the impression which the student of our commonwealth development will be glad to get. The work commends the painstaking editorship of Professor Shambaugh.

SOCIAL PROGRESS, a year book and encyclopedia of economic, industrial, social and religious statistics[30] is edited by Josiah Strong, President of the American Institute of Social Service, although the work was largely done by W. P. D. Bliss, the editor of "The Encyclopedia of Social Reforms." The idea of such a year book is good and much useful information is included. There are numerous mistakes incidental to such a work, the bibliographies are defective and the amount of space devoted to certain topics might be criticised.

IN VIEW of the increasing recognition of the value of manual training and because of the influence which Hampton Institute has had upon the future of the negro a biography of the man who founded this school is most welcome. Samuel Chapman Armstrong[31] was a rare man and his life story as told by his daughter is one of fascinating interest. Among those who had to do with educational measures for the negro Armstrong stands as one of the sanest and most far-sighted. He planned Hampton and he trained Booker Washington.

THE IMPORTANT and constantly increasing part which military government has played in the history of the United States in time of peace despite our traditional prejudices against militarism is interestingly told by Dr. David Yancey Thomas, in his "History of Military Government in Newly Acquired Territory of the United States."[32] Dr. Thomas has left for others the history of military government during and following the Civil War and has confined his study to the government of the various territorial domains acquired from foreign nations from the time of their occupation by the military forces of the United States until they were accorded territorial Civil Government or, as in the case

[30] p. 273. Price, $1.00. New York: Baker & Taylor Company, 1904.
[31] A Biographical Study. By Edith Armstrong Talbot. Pp. vi, 301. Price, $1.50. New York: Doubleday, Page & Co., 1904.
[32] Pp. 334. Price, $2.00. Columbia Studies in History, Economics and Public Law. Vol. xx, No. 2. New York: 1904.

of California, State Government. During this transition stage these territories were governed under the direction of the President as military executive and according to a method not expressly sanctioned by the Constitution. This Mr. Thomas correctly describes as military government. As to Louisiana, Florida, New Mexico and California Mr. Thomas' account involves practically a political history of those Territories during the territorial period. The history of Alaska, Hawaii, Porto Rico, the Philippines, Samoa and the Panama Canal zone are treated with far less detail, rather too much so as compared with the treatment of the domestic Territories, it seems to the reviewer. No one can read Mr. Thomas' monograph and escape the conviction that the American doctrine of the supremacy of the civil over the military power must be accepted in a restricted sense and that there are unmistakable signs of a growing tendency to depart from old traditions.

VANDERVELDE'S LITTLE BOOK on "Industrial Evolution," reviewed in the ANNALS some months ago, has been translated into German[32] and into English. Although Vandervelde is a university professor by profession, he has for some years been practically the leader of the Socialistic movement in Belgium. His views are in the main those of the German scientific Socialists of the school of Marx; but his wonderfully clear and forcible style and manner of presentation are all his own. The translation into German is the work of Dr. Suedekum, member of the German Reichstag.

REVIEWS.

The Police Power. Public Power and Constitutional Rights. By ERNST FREUND, Professor of Jurisprudence and Public Law in the University of Chicago. Pp. xcii, 819. Price, $6.00. Chicago: Callaghan & Co. 1904.

Those who have known Professor Freund have recognized in him a scholar of unusual promise in the fields of public law and jurisprudence. His monograph on "Empire and Sovereignty," reviewed in a recent number of the ANNALS, showed that he possesses originality of thought as well as scholarship. The treatise which he has now given us on the police power is truly a *magnum opus*. Other works on the police power have appeared in the past, notably the treatises of Russell, Prentice and Tiedman, but they have either lacked the elements of scientific treatment and arrangement or comprehensiveness of treatment. We have in Professor Freund's treatise the work of a public lawyer trained in American and Continental schools of jurisprudence and consequently his work is marked by a breadth of view which does not characterize the older treatises. Professor Freund restricts his conception of the police power to that group of activities designed to promote the public welfare through restraints upon the use of liberty and property and therefore excludes from his work much of what has sometimes been included under the police power. He points out that the mass of the decisions on the subject reveal the police power not as a fixed quantity but as the expression of social, economic and political conditions and that as

[32] *Die Entwickelung zum Socialismus.* By Emile Vandervelde. Translated into German. by Dr. Albert Suedekum. Pp. 231. Berlin: (Verlag der Socialistischen Monatshefte) 1903

these conditions vary the police power must continue to be elastic; that is, capable of development. The most remarkable feature of the police power in the United States is that it is practically a growth of the last quarter of a century. Comparatively few—almost none in fact—of the thousands of statutes and decisions to which Professor Freund makes reference have their origin previous to the Civil War. During the brief period since then there has appeared an enormous volume of legislation and judicial interpretation relating to the public health, safety, morals and the various social and economic interests of society. That activity will increase with the congestion of population in the urban centers and the increasing complexity of modern civilization there can be little doubt. An interesting revelation of Professor Freund's work is the fact that a large and increasing amount of Federal activity now falls within the domain of the police power, in spite of the belief of the framers of the Constitution that they had left to the individual States the care and regulation of the various social and economic interests of their inhabitants. This activity is both positive and negative. The former finds its source mainly in the power of Congress over interstate commerce and includes such legislation as that relating to shipping, navigation, combinations in restraint of trade, the suppression of traffic in lottery tickets, and legislation relating to liquor, oleomargarine, adulterated foods and other objectionable businesses of an interstate character. In view of all this, Professor Freund correctly affirms that it is impossible to deny that the Federal Government exercises a considerable police power of its own (p. 63), and asserts that it must also be regarded as firmly established that the power over commerce while primarily intended to be exercised in behalf of economic interests may be employed for the protection of the public safety, comfort and morals. That is to say, the power of Congress to "regulate" commerce as interpreted by the recent decisions of the Supreme Court means vastly more than merely to "prescribe rules" as Marshall understood it. More important than the positive police legislation of Congress is the negative power of control exercised by the Supreme Court over the police activities of the States, in virtue of the fourteenth amendment. Professor Freund points out that the prohibitions upon the police powers of the States, established by this amendment and interpreted by the Supreme Court in the Slaughter House Cases to apply only to discriminating legislation against the negro race are no longer so restricted in their application, but apply with equal force to all persons and even to corporations. It is significant that there is hardly any important police legislation which has not been questioned in the Supreme Court as violating the fourteenth amendment and the Court has uniformly entertained jurisdiction and examined the merits of all such cases. Indeed, reference to the recent decisions shows that a large percentage of the cases now decided by that tribunal have their origin in the police legislation of the States.

In arrangement Professor Freund's treatise is logical and scientific. Its value to the student is enhanced by an elaborate table of contents covering twenty-three pages, a table of not less than five thousand cases cited, copious footnotes and a comprehensive index of sixty-two pages.

James Wilford Garner.

University of Illinois.

Korea. By ANGUS HAMILTON. Pp. xliv, 313. Maps and Illustrations. New York: Charles Scribner's Sons. 1904.

Mr. Hamilton's book on Korea gives much information about that country. The author shows intimate knowledge of the country and people, describes their customs, pageants, cities and scenery and tells the reader the things he is most likely to wish to know. The style is good, and the book seems to have been carefully written. The foreign trade is keenly analyzed and the political rivalry of Russia and Japan is sketched up to the outbreak of the war.

The country is beautiful to look upon and its beauty is appreciated by the people who are described as well built and showing mixture of Caucasian and Mongolian blood. Plodding like his ox, the native lives by agriculture and household industry in the house of the farmer. Reforms have been made in the government, but "justice is still hedged about with bribery" and "immunity from the demands of the yamen is only found in a condition of extreme poverty." Political efficiency is reflected by the navy, containing twenty-three admirals and having one iron built coal lighter, until quite lately the property of a Japanese steamship company. "Korea is the helpless, hopeless sport of Japanese caprice and Russian lust." The book contains a surprising account of the progress of isolated Korea. The land of morning calm has been "stimulated by association with the Japanese. The contact has been wholly beneficial." The change is almost as noticeable as in Japan and is evidenced by the growth of Chemulpo since its opening as a treaty port. In the twenty years that have elapsed it has risen from a fishing village to a prosperous port, having 20,000 people, a prosperous trade, a liberal supply of telephone and telegraph and a railway to the capital which is using electric lights and street cars.

J. RUSSELL SMITH.

University of Pennsylvania.

A History of Matrimonial Institutions. By GEORGE ELLIOTT HOWARD. Three volumes of 1465 pages. Price, $10.00. Chicago: University Press. 1904.

One of the most valuable contributions to sociological literature that has appeared in a long time is "A History of Matrimonial Institutions," by Prof. George Elliott Howard of the University of Chicago. The work is valuable not merely because of the importance of the subject, but by reason of the thoroughness of treatment of which each page gives evidence. It is a remarkable piece of work and will immediately take rank as a standard authority. The author has stated his conclusions clearly and forcibly, supporting them by abundant evidence, giving at the same time place to all opposing testimony. Each chapter is prefaced by a bibliographical note, often pages in length, while footnotes with detailed references abound on nearly every page. At the last of the work is a classified bibliographical index nearly one hundred and fifty pages in length which will be of great service.

The study opens (Part I, 250 pages) with an excellent resumé of the various theories of primitive matrimonial institutions. I do not know where else to find such a lucid and masterly exposition. No distinctly new material is here presented and Professor Howard agrees in general with Westermarck. "At the

dawn of human history individual marriage prevails though the union is not always lasting. In later stages of advancement, under the influence of property, social organization, social distinctions and the motives to which they gave rise, various forms of polyandry and polygyny, make their appearance, though monogamy as the type is never superseded." He thus definitely rejects the "doctrine of universal stages of evolution through which all mankind has run." Much evidence is presented to show that in all the ages of transition from status to contract, the woman has had a far larger freedom of choice and better protection than is generally supposed.

The rest of the study is chiefly devoted to the institutions of the English speaking race in England and America, though many pages are given to Continental antecedents. Part II, Matrimonial Institutions in England occupies 340 pages. Here the reader passes from descriptions of early Teutonic conditions down to present conditions. The attitude of the Christian Church towards marriage and divorce is carefully traced and the service rendered by the Church in securing publicity is gratefully acknowledged. Yet it is shown that even the Reformation did not alter the English conception that marriage is civil, not sacerdotal, in character and its control has been kept in the hands of the State in spite of many periods of confusion and in spite of the evident desires of the Church. Thus in England we see the early growth of that attitude towards marriage which found such striking and seemingly rootless expression in early New England legislation.

Part III, Matrimonial Institutions in the United States, contains the author's most important contribution. Here is presented a mass of generally inaccessible material never before collected. This is a distinct service for which every student of social institutions will be grateful. It is doubtless needless to add that many quaint and curious customs are described and attention is called to many important, but little known, facts. The conditions in New England, the Middle Colonies and the Southern Colonies are separately outlined. Two important chapters trace the progress of legislation on marriage and divorce from 1776 to 1903 and a digest of existing laws in all States is given.

That there is much in this legislation which is not pleasant reading and much that needs amendment today is frankly stated. Yet the author does not sympathize with the extreme views often held as to American marriage laws. On the contrary there is much to be learned from the experiments of different States. Professor Howard always keeps clearly in mind the fact that he is discussing social institutions over which organized society has full control. In spite of all divergencies we have developed an American type of marriage, *i. e.*, a civil license, an optional civil or religious celebration (save in Maryland and West Virginia where the religious ceremony is required, and civil record of the ceremony. There are some evils which are fully discussed. At present the greatest obstacle to social control is the recognition of common law marriages. This results from the fact that the "vicious mediæval distinction between validity and legality is maintained." Such a union "is thoroughly bad, involving social evils of the most dangerous character." As one result many of our laws are unclear and indefinite and need overhauling.

Throughout the study divorce is constantly considered. Here, too, the

author keeps on solid ground for, no matter what the troubles may be, "divorce is a remedy and not the disease." Prohibition of divorce then would bring no relief. "It is a very low moral sentiment which tolerates modern wife-purchase or husband-purchase for bread, title, or social position—here is a real menace to society." The remedy for this is education not statutes. "In the future educational programme sex questions must hold an honorable place . . . Domestic animals are literally better bred than human beings . . . Here the State has a function to perform. In the future much more than now, let us hope, the marriage of persons mentally delinquent or tainted by hereditary disease or crime will be legally restrained . . . Marriage will in truth be holy if it rests on the free troth-plight of equals whose love is deep enough to embrace a rational regard for the rights of posterity . . . The family will, indeed, survive; but it will be a family of a higher type. Its evolution is not yet complete."

No social student, preacher, legislator, can afford to neglect this important work.

University of Pennsylvania. CARL KELSEY.

The Letters and Speeches of Oliver Cromwell, with elucidations by Thomas Carlyle, edited by S. C. Lomas, with an introduction by C. H. Firth. 3 vols. London: Methuen & Co. 1904.

This excellent edition bears on its title page three names which need no introduction. Next to Napoleon, Cromwell has been the popular theme of the historian of the last decade, while Carlyle has had almost as great a vogue. Mr. Firth has only recently been appointed as Regius Professor of History at Oxford, and certainly no one is so well qualified to write on Cromwell.

It was one of Carlyle's early projects to write a book upon Cromwell's times, but he could never get sufficiently into the subject. In his sixth lecture on "Heroes and Hero-Worship," however, he first presented his view of the great Puritan leader, giving him his due place in history. Until then, as Carlyle himself wrote, "One Puritan, and almost he alone, our poor Cromwell, seems to hang yet on the gibbet and find no hearty apologist anywhere." In 1845 he made a second step towards the fulfillment of his original purpose in the publication of the "Letters and Speeches," and "few historical works have attained more immediate success;" three editions were called for in five years.

From the historical standpoint Carlyle's work is extremely fragmentary and incomplete. It is a commentary in Carlyle's characteristic manner on the letters and speeches of Cromwell, and as might be expected the editing is much too subjective in character to be reliable. Painstaking in certain respects, Carlyle was much too arbitrary an editor; besides supplying missing words, breaking up long sentences and freely punctuating, he "modernized the speeches too much, allowed himself too great license in the way of emendation," and, as is well known, freely interpolated his own comments into the text. This is particularly true of the speeches, in the editing of which Carlyle was completely carried away by his imagination. The letters he left more nearly as he found them, though even here the arbitrary changes are numerous. They did not appeal so strongly to his imagination and his lack of critical acumen occasionally misled him into intro-

ducing letters manifestly spurious, as for example, the eighteenth century forgery of a letter by Cromwell to Thurloe, (No. 200), and the famous "Squire Papers."

In the present edition Carlyle's work is subjected to a critical revision, but the spirit of the revision by Mrs. Lomas is sympathetic rather than iconoclastic. The text is carefully compared with the original manuscripts and corrected where necessary. This in itself makes the new edition of great value to the historian and student, for in the original work there are introduced not only the errors resulting from Carlyle's peculiar methods as an editor, but also those that arise from the fact that he very frequently did not have the original manuscripts, they being either inaccessible or not known in his day. Additional notes by the present editor are given in square brackets and are confined mainly to matters of fact. The letters are revised and the correct text given; in the speeches, on the other hand, Carlyle's text is retained, except where it is manifestly wrong. This deference to Carlyle in the editing of the speeches Mrs. Lomas explains by the fact that they represent not what Cromwell actually said, but what he is reported to have said, and it would be impossible to get Cromwell's exact words. The only general change made in the speeches is the restoration of the seventeenth century phraseology of the originals which Carlyle modernized throughout.

The edition contains some one hundred and forty-five letters not included by Carlyle, besides speeches and other documents. The most important of these new letters are those to Robert Hammond, found by the late Dr. Gardiner, while the twenty additional speeches are those of the Army Councils of 1647, discovered by Mr. Firth. The excellent work of Mrs. Lomas has been ably seconded by the bookmaker's art and the edition is as attractive in form as it is interesting and scholarly in matter. The index appears in the third volume and is unusually well done.

W. E. LINGELBACH.

University of Pennsylvania.

The United States and Porto Rico. By L. S. ROWE, Ph.D. Pp. xiv, 271. Price, $1.30. Longmans, Green & Co. 1904.

It is a surprising circumstance that in the four years which have elapsed since the unanticipated events of the war with Spain forced the United States upon a quasi-colonial career, there has been scant and inadequate recital of the course of events during that period. We have been largely dependent upon the excessive detail of government reports on the one hand and upon the superficial dicta of journalistic narrative on the other hand for acquaintance with the essential features of the politico-economic reorganization effected by the American administration in Porto Rico, Cuba and the Philippines, respectively.

This has meant loss both to the student and to the publicist. The entire history of colonial administration probably presents no more instructive lesson than the succession of military, provisional and civil government in Porto Rico. It is of vital importance at the present moment to determine the relative efficiency of Spanish, American and Cuban administration in Cuba. Manifestly we are in no position to pass upon the propriety of a large measure of independence

for the Philippine archipelago until the success or failure of the degree of autonomy now actually enjoyed there in municipal and provincial affairs has been accurately appraised.

It is a matter of congratulation that Professor Rowe, whose experience, as a member of both the Federal and the insular Porto Rican Code Commissions, renders him exceptionally qualified to speak, has undertaken to discuss the problems arising out of our contact with Spanish-American civilization in Porto Rico. In an attractive little volume of some two hundred and sixty pages he has described with clearness and interpreted with ability some of the remarkable episodes of that experience. The student-reader will put aside the volume with profound regret that the author has not been persuaded to give us a comprehensive history instead of a narrative sketch. Such a more ambitious plan would have relieved the difficulties arising from the attempt to consider within limited compass, both the actual experience of Porto Rico in its civic reorganization and the larger problems presented to the United States by the political developments of the War with Spain and their judicial interpretation.

Certain of Professor Rowe's chapters, as for example those upon "The Insular Decisions," "The People of Porto Rico," "Financial Reorganization" are adequate summaries of more or less familiar incidents. But in other places, as in tracing the history of the native political parties of the Island, in discussing the propriety of an insular civil service system, in commenting upon the experience of the jury system in the Island, he has placed before us in inviting form valuable and heretofore inaccessible information.

Finally, it is not improper to note, as a tribute to the modesty of the author even though a defect of the volume, the omission of any reference to the important part which Professor Rowe himself played, as a member of two successive code Commissions, in the reorganization which he has so intelligently described.

JACOB H. HOLLANDER.
Johns Hopkins University.

The Slav Invasion and the Mine Workers: A Study in Immigration. By FRANK JULIAN WARNE, Ph.D. Pp. 211. Price, $1.00. Philadelphia: J. B. Lippincott Company. 1904.

It is only justice to the author of this study to state that it is beyond question the most interesting and suggestive investigation of the problem of immigration which has yet been published in the United States. There have been other studies in this field, but they have been mainly confined to a description of the invading nationalities and to speculation as to the best means of assimilating them into the American people. Dr. Warne, however, addresses himself to the real problem of immigration, which is the competition of the immigrant with the native born American.

The labor struggles in the anthracite field which terminated in a noteworthy victory for organized labor have been generally misunderstood. In the investigations which preceded the award of the arbitration tribunal, the representatives of the operators claimed, and supported their claims by a large amount of evidence, that the earnings of the miners in the anthracite fields

compared very favorably with the earnings in other occupations. They denounced the theory of the mine workers to better their condition as entirely unjustified by conditions and represented merely the tyranny of brute force. This view of the case has been quite generally accepted by the press. The mine workers succeeded and enjoy the fruits of their success, but there is a deep-seated conviction, especially among the members of the so-called capitalistic class, that they did not deserve to succeed and that the right in the controversy was with the operators. Without specifically attacking this popular belief, Dr. Warne in his discussion of the causes which led up to the strikes of 1900 and 1902 thoroughly demolishes what must be confessed in the light of this discussion to be baseless fallacy. He begins with a brief, though succinct account of the early struggles between the operators and the miners in the anthracite fields, showing how the formation of the labor unions during the period of high prices which followed the war forced the operators into violent antagonism, owing to the constant demand for higher wages, and finally resulted when the railroads entered the mining field in disintegration of these early labor organizations. Their downfall, as Dr. Warne shows, was brought about in part also by the lawlessness and violence of the Molly Maguires. For twenty-six years thereafter, until 1897, the anthracite labor was unorganized.

Labor conditions in the anthracite field, which had been satisfactory during this early period, beginning in the early seventies and following the decline in the price of coal and the increased competition among the coal companies grew steadily worse, the miners' pay being based on the price of coal, which steadily declined. At the same time, mining, owing to the exhaustion of the more easily worked deposits, became more difficult and expensive. If the original occupants of the anthracite fields had been left in possession of their employment, these hard conditions might have been met by an advance in wages, but about 1880, came the advance guard of the Slav invasion, which during the twenty years that followed brought into the anthracite region a vast army of workers from the southeast of Europe and which effectually prevented any improvement in the standard of living of the English-speaking miner. In 1880, the total number of English-speaking people in the three anthracite fields was 102,421, the total number of Slavs was 1925. Twenty years later the English-speaking population remained about stationary, at 100,269, while the Slavs had increased to 89,328. In other words, in 1880, the English-speaking races composed nearly 94 per cent. of the total foreign born population in the eight hard coal counties. By 1900 they had decreased to less than 52 per cent., while the Slav races had increased from 2 per cent. in 1880 to over 46 per cent. in 1900.

The standard of living of these immigrants was extremely low. Dr. Warne shows that most of the immigrants are unmarried, that they are satisfied to live "in almost any kind of a place, to wear almost anything that would clothe their nakedness and to eat any kind of food that would keep body and soul together."

The wages on which the American could not support a decent existence represented riches to the Slav and the inevitable result was a gradual expulsion of the English-speaking miners from the Schuylkill and Lehigh districts.

In the northern field, however, Dr. Warne shows that the advance of the

Slav was fiercely resisted. In this section the mine workers generally owned their homes and their standard of living was high. They saw in the coming of the Slav either their expulsion or their descent to a Slav standard of living. Their resistance to these alien competitors took two forms. First, in 1889–97, they obtained from the Pennsylvania Legislature laws which required a considerable period of apprenticeship before a laborer could become a miner, making it necessary that an examination before a miners' examining board first be passed. To pass this examination, the Slav must learn English, and as few of them did this, the best paid occupation in the mines was kept to a large extent in the hands of the English-speaking miners. This, however, was only a half-way measure and in 1897, when the organizers of the United Mine Workers of America first entered the region, they received a hearty welcome from the English-speaking miners in the northern field and their work of organization was made surprisingly easy. The leaders of the English-speaking miners saw in this great organization which had just won a notable victory in the soft-coal fields the opportunity of raising the wages of the Slav mine worker to a level. This would at the same time increase their own earnings and lessen the danger that increasing Slav competition would depress their standard of living. In other words, the English-speaking miner determined since he could not exclude the Slav to raise his wages and improve his condition. Dr. Warne shows how this task was accomplished by the United Mine Workers in the two strikes of 1900 and 1902. The initiative in these contests came from the English-speaking miners in the northern field. It is well-known and these companies have frequently complained of the fact, that the employees of the Reading and Lehigh Valley were well satisfied with their condition; that they had no grievances against their employers, and that it was only with much difficulty in 1900 they were made to strike. Dr. Warne correctly interprets these great labor struggles as determined attempts of a superior race to lift up a mass of foreigners to their own plane. If the attempt was unsuccessful their own economic ruin was inevitable

We note in final comment on this remarkable study that the author understands and clearly explains a function of trade-unionism, to which little attention has been given. Trade-unionism, in Dr. Warne's opinion, constitutes the only bond which will unite men of different races, religions and languages, in a common cause. The fellowship of the trades-union, with its ideal of brotherhood, has been largely effective, in the author's opinion, in the anthracite field to break down the barriers of race prejudice and race antagonism, which so seriously interfere with the assimilation of divers nationalities into a homogeneous people. It is not only in the anthracite region that this race problem is encountered; in every section of the country where immigration has gone the separation of nationalities constitutes a potent danger. If trade-unionism, as Dr. Warne claims, and it cannot be disputed that he thoroughly understands the organization and aims of the labor unions, can break down these barriers of separation, and co-operate with the common school, which is ceaselessly at work upon the younger generation, to convert the alien immigrant into an American citizen, all the manifold sins of omission and commission which can be laid at the door of organized labor can be forgiven.

University of Pennsylvania. EDWARD SHERWOOD MEADE.

Working With the Hands. By BOOKER T. WASHINGTON. Pp. ix, 246. Price, $1.50. New York: Doubleday, Page & Co., 1904.

A few years ago Booker T. Washington told the story of his early life in his book, "Up From Slavery." The present volume is a continuation of the earlier one. In "Working With the Hands" Dr. Washington describes the growth of the great institution at Tuskegee. It is a story whose significance is not yet appreciated by the American people for the influence of Hampton and Tuskegee is reacting powerfully upon our educational ideals. From time to time many persons have heard Dr. Washington tell a little about his work. All these will welcome a more complete statement of what has been accomplished. Many others who have not heard Dr. Washington will rejoice at an opportunity to visit the school under his guidance. In the book we are taken from department to department, our visit being made more real by the numerous photographic illustrations, until we get a pretty complete conception of the scope of the institution.

The title, "Working With the Hands," is well chosen. Dr. Washington has not only helped to make the school what it is, but to a large degree has given it his spirit and many of his former students are to-day starting similar movements in their communities. Dr. Washington is often represented as being opposed to what is unhappily termed "higher education." This is false. No one can read this book without seeing that Dr. Washington gives at Tuskegee not a mere smattering of Greek and Latin but seeks to equip a man for his life work by teaching him something which will be of immediate service. The needs of the future will be met best by meeting those of the present.

Dr. Washington is building—not finishing—is laying the foundation not the superstructure. How well he is succeeding the reader may judge. None will ever regret the time he spends in reading the story and among those who enjoy it the most will be the white men of the South who wish to know more of what Dr. Washington really does at Tuskegee.

CARL KELSEY.

University of Pennsylvania.

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NOTES

I. MUNICIPAL GOVERNMENT

Chicago.—*Police Administration.*[1] The General Act for Incorporation of Cities and Villages, passed by the State Legislature in 1872, under which in lieu of a charter the city of Chicago is still working, gives to City Councils the express power "to regulate the police of the city and pass and enforce all necessary police ordinances." This makes the police department of Chicago a purely municipal institution without any control or interference on the part of the State authorities. The executive control over the department is vested in the General Superintendent of Police, appointed by the Mayor with the consent of the City Council for a period of two years. The city is divided into five police divisions, fifteen districts and forty-four precincts. Each division is commanded by an inspector of police, each district by a captain and each precinct by a lieutenant. All members of the force with the exception of the General Superintendent, but including the Assistant General Superintendent, are selected under the provisions of the Civil Service Law. This Act was passed by the State Legislature in 1895 and is being strictly enforced not only as to the police department, but, in fact, as to every other department of the city administration. Every applicant, after having satisfactorily passed an examination, must enter the force as second-class patrolman, the lowest rank. The examination is of a twofold character, testing the physical qualifications, which are given a weight of two, and the mental qualifications given the weight of one. The test for the mental qualifications consists of an examination in spelling (weight 0.1); penmanship (0.1); arithmetic (0.1); duties (0.6); and city information (0.1). Promotion in the police department is by competitive examination, to which only officers of the next lower rank are admitted. The disciplining of the force also rests with the Civil Service Commission, one member of which acts as Police Trial Commissioner; his findings are reviewed and approved by the entire commission. So firmly is the Civil Service established and enforced in the police department that during recent years not even an attempt was made to circumvent its provisions. Some cases in which this was done in former years were taken to the State Supreme Court and each one was decided by that body in favor of the Civil Service Law. Today it is generally accepted as inviolable and nothing is feared more by the members of the force than to be taken before the Trial Commissioner, for swift punishment is sure to come for any violation of the police rules. The strict enforcement of the Civil Service Law had the further effect completely to do away with the use of the police force for political purposes. Its members belong to all political parties, and no man is asked to help to advance the political fortunes of the administration in power. How colorless politically the Chicago police force is might best be shown by the fact that while the present Assistant General Superintendent and two of the five inspectors openly profess to be Republicans; the administration is Democratic. It may safely be said that the only use to which the Chicago police force is put in elections and primaries, is to preserve order and to protect the integrity of the ballot box.

[1]Communication of Hugo S. Grosser, Esq., Chicago Ill.

Numerically the police force is entirely inadequate for the needs of Chicago. Its total membership is but three thousand two hundred and five, of which four hundred and thirty-two are clerks and other employees and two thousand seven hundred and seventy-three, officers of all ranks. Of these 2442 are patrolmen; not less than 747 of these patrolmen are detailed for duty at street crossings, bridges, depots, public offices, on wagons and ambulances, etc.; 338 are "plain clothes men," and 45 act as desk-sergeants, leaving not more than 1312 for actual patrol duty. The area of the city is 122,008 acres. This gives an average area of 44 acres to each member of the force, or an average area of not less than 93 acres to each patrolman available for patrol duty. Chicago has 2806 miles of streets and 1381 miles of alleys, which places an average of not less than 3.2 miles of streets and alleys under supervision of each patrolman available.

The total cost of the police department for 1903 was $3,569,477.77, or $1.90 per capita on the basis of the United States Census estimate for 1903, giving Chicago a population of 1,873,880. This is less than in any other large city, but for some time to come Chicago must try to get along with this small amount, not by its own volition, but forced by dire necessity caused by the proverbial poverty of the municipality. Small and insufficient as it is, Chicago's police force can boast of a splendid record of efficiency, showing an average of 28.12 arrests for each member of the force. About 16.4 per cent. of the arrests were on charges of felonies; 11.9 per cent. for misdemeanors; 51.5 per cent. for drunkenness and disorderly conduct, and 20.2 per cent. for other violations of city ordinances. The total number of arrests for 1903 was 77,986. But the efficiency of the force is not shown by the number of arrests alone. Of all the property reported stolen in 1903, valued at $434,881.75, more than one-half, valued at $233,559.92, was recovered. Over 10,000 injured and sick persons were assisted by the police; 2964 lost children were restored to their parents, and crime and lawlessness, for some time quite rampant in Chicago, was fearlessly suppressed, so that the city today is comparatively free from crime. Taking into consideration the manifold duties of the police, the frequent labor troubles requiring police supervision, and the insufficient number of officers, the department is doing astonishingly well. The officers are displaying a great deal of endurance and courage. In addition to their regular nine hours of patrol duty they attend police courts, justice courts, coroners' inquests, grand jury sessions and criminal courts, and are besides subject to call for any special duty required. Three officers were killed and 249 were injured while in discharge of their duty during the past year.

The police authorities are sparing no efforts to still further increase the efficiency of the force. The drones and derelicts are being weeded out as fast as possible. Special instruction is being given by competent men in first aid to injured persons, in gathering and preparing evidence for prosecution in the criminal courts, and in physical development. A new system of police records is being devised that will aid in promoting the discipline and in improving the entire service, but after all, to be adequately policed the city of Chicago needs an increase of its force of at least one thousand patrolmen.

Cleveland.—*Police Administration.*[2] Executive control over the police sys-

[2]Communication of F. E. Stevens, Esq., Cleveland, Ohio.

tem is divided. The Board of Public Safety executes contracts relating to supplies for the department, provides for the erection and maintenance of police stations and conducts examinations for the appointment and promotion of officers. The Mayor appoints police officers from a list of eligibles submitted by the Board of Public Safety after competitive examination. He is styled the "executive head of the police department," but the stationing, transfer and discipline of the force are entirely under the supervision of the Chief of Police.

The Mayor appoints the Board of Public Safety subject to the approval of a two-thirds vote of the City Council. Upon failure to secure the confirmatory two-thirds vote of the Council, the Board is appointed by the Governor. Two-thirds of the Council in this city approved the Mayor's choice. The statutes give the City Council the option of providing for either two or four members of this Board. The Council chose the smaller number. All appointments and promotions depend upon competitive examinations. The Examining Board consists of the City Solicitor and of the two members of the Board of Public Safety or persons delegated by them from the department. Tests of physical qualifications are made by surgeons connected with the department. Civil Service provisions are in full force. Members of the police force take but little part in politics. At present their political affiliations seem to have nothing to do with either appointment or promotion. Recent years have witnessed a very considerable improvement in this regard. The State authorities have no control over the service unless opportunity for control is afforded by the provision that the Governor shall appoint members of the Board of Public Safety in case the Mayor cannot secure for his appointees the approval of two-thirds of the City Council. This contingency has not yet arisen in this city.

The force numbers at present 456 members. There is an average of thirteen patrolmen to each square mile of territory. Making due allowance, however, for patrolmen on night duty, for those deputized for service at police stations and for general officers, the area under the supervision of each member of the force averages about one-fifth of a square mile. The appropriations for salaries and maintenance for the year ending December 31, 1904, amount to $700,000, an average per capita cost of $1.66.

There is no movement on foot for special improvement of the service. Within the past two years the department has been reorganized in the interests of greater efficiency, about 150 patrolmen have been added to the force, and, under the discipline of a young, aggressive and ambitious chief, the *morale* and tone of the force have been greatly improved.

Buffalo.—*Police Administration.*[3] The Buffalo police force is governed by a local commission consisting of the Mayor *ex officio*, and two other Commissioners appointed by him, both of whom, however, may not be of the same political party. No control whatever is exercised by the State authorities.

The entire force is under Civil Service rules, and all promotions as well as original appointments, are made by competitive examinations. A change in the rules has lately been made, which, if it takes effect, will exempt all grades above that of Captain from competitive and subject them to qualifying examina-

[3]Communication of A. C. Richardson, Esq., Buffalo N. Y.

tions only. Under the State Civil Service Law, however, this change cannot take effect until approved by the State Civil Service Commission, which has deferred action upon it for the present. The change is strongly opposed by many members of the Buffalo Civil Service Reform Association. It seems quite safe to say that at present the force is entirely "out of politics." The writer was assured at headquarters that every member of the force votes exactly as he pleases, and that anyone who engaged in politics would promptly "lose his head." At one of the stations he learned also that men on duty on election day were especially cautioned not even to engage in conversation on political subjects.

The force consists at present of 784 persons, of whom 566 are patrolmen, 39 sergeants, 21 patrol-wagon drivers, 13 janitresses, 4 matrons, and the rest officials and clerks of various designations and duties. Forty-one of the patrolmen are mounted, for service in the large precincts where much of the territory is unoccupied or thinly settled. There is also a "bicycle squad" of eighteen, detailed from different precincts, who serve in this way from April to November and are then returned to regular patrol duty. The harbor is patroled by a small yacht, which traveled over 13,000 miles on this service last year, and besides other services towed over 2000 logs and stumps from the harbor to the lake, where they either went to the bottom or were carried down the Niagara River, in either case ceasing to be dangerous to navigation.

The patrol box system of Buffalo is said to be the best in the world. Every patrolman has to report from each box situated on his beat at regular intervals; and this makes it possible to communicate from headquarters with every man on post if necessary, in a very short time. When an officer makes an arrest he takes his prisoner to the nearest patrol box, and signals both to his station and to headquarters; whereupon the nearest patrol wagon, of which there are seven located at different stations, is sent to convey the prisoner to the station, so that the officer need not leave his post for this purpose. An ambulance may be summoned in the same way if necessary. Each box is also provided with a telephone.

The areas of the precincts range from 0.72 to 10.07 square miles; the total length of streets in each precinct varies from 16 to 90 miles. As nearly as can be calculated, the average amount of territory supervised by one patrolman on foot is about 0.175 square mile at night, and 0.29 square mile by day; a mounted officer probably covers from six to ten times as much.

The total appropriation for the police force for the fiscal year ending June 30 1904, is $797,590, which makes the cost per capita about $1.92. The force is thought to be, on the whole, very efficient. It certainly rises to a great emergency in a most creditable manner.

By way of improvement the Superintendent asked last year for fifty more patrolmen and also for a new yacht, as the old one is no longer fit for service: but neither request was granted by the Common Council

Cincinnati.—*Police Administration.*[4] In the city of Cincinnati the Mayor of the city is the executive head of the police department; the whole department is under the control of a Bi-Partisan Board, composed of four members, known

[4]Communication of Max B. May, Esq., Cincinnati, Ohio.

as a Board of Public Safety. This Board is vested with all powers and duties connected with and incident to the appointment and government of the police and fire department of the city. The Chief of Police is the executive head of the department, under the direction of the Mayor; the Chief has the exclusive control over the stationing and transfer of policemen, and other officers and employees in the department, subject, of course, to the general rules and regulations of the Board of Public Safety. In the city of Cincinnati the Civil Service provisons in reference to the selection of the police force are in the main strictly enforced. The police force of the city is not in any way a political factor. The police, of course, are in charge on election days, and are the official messengers of the Board of Elections, but within recent years there has been no complaint made on account of political activity of the force.

The number of the police force of the city of Cincinnati is 532, composed of one Chief of Police, 3 inspectors, 20 lieutenants, 32 sergeants, 10 corporals, 385 patrolmen, 25 station-house keepers, 20 drivers. The total area police is .41½ square miles. The total cost of the force is $571,268.36, of which $535,218.23 is salary account, and $36,050.13 is maintenance account. The cost per square mile is about $16,322, and cost per capita $1.75.

The service has given satisfaction, the outlying districts being cared for by mounted police and bicycle squads. The patrol wagon system has been in use for very many years and has given much satisfaction.

Pittsburgh, Pa.—*Police Administration.*[5] The police and fire systems of Pittsburgh have been for many years a source of considerable pride to the people of that city. In the midst of a desert of official incompetency and dishonesty, they stood out like oases of green joy to the citizen who was eagerly looking for something to commend in the municipal administration. Now and then, it is true, scandals have arisen as to the purchase of land for police stations, the favoring of special designs of fire engines or of particular materials for building purposes, and such other affairs of these bureaus as have furnished opportunity for the application of modern political business methods. Considering the political conditions which have prevailed here for many years, it may be said that the police and fire systems of Pittsburgh are surprisingly good and efficient.

Under its charter as a city of the second class, the control of the police system is entirely executive. The Director of Public Safety, whose department includes the Bureau of Police, is appointed by and is directly responsible to the Mayor. The entire police force, including the Superintendent of Police, is appointed by the Director of Public Safety, who may make his selection from the list of candidates approved by the Police Examining Board. This Board is an important part of the system of Civil Service created by the Acts of Assembly of March 7, 1901, and of June 20, 1901, for the appointment and regulation of the uniformed employees of the Bureaus of Police and Fire of the Department of Public Safety. The Board consists of the Mayor, the Presidents of Select and Common Councils, and the Superintendents of the Bureaus of Police and Fire. Quarterly examinations are held by examiners appointed by the Board, a quorum of which must also be present. These examinations are open to any citizen be-

[5]Communication of Edwin Z. Smith, Esq., Pittsburg, Pa.

tween the age of twenty-one and thirty-five, who has resided in the State for one year, has never been convicted of crime, and can speak and read understandingly the English language. The examinations are both mental and physical, the former being directed more to the amount of intelligence than of education, and the latter being the same as that required of applicants for enlistment in the United States Army. From the list of successful applicants vacancies on the force are filled by the Director, he having a choice of one of three candidates in their order upon the certified list.

Under these acts no member of the police force may be dismissed for political reasons, but specific charges of disability, incompetency or misconduct must be preferred against him, upon which, after due notice, he is tried by a court composed of his equals or superiors in rank. If found guilty, the court assesses the penalty; either fine, suspension or dismissal, and the Director, with the approval of the Mayor, carries out the sentence. This court is held weekly, passes on an average of eight to ten cases at each sitting, and is very effective in the maintenance of discipline. The provisions of the Civil Service acts are enforced with some strictness, and only exceptionally strong political influence is allowed to affect their application in any particular case. The police force of Pittsburgh numbers approximately 500, an average of one for each 700 of the population of 350,000; and its cost to the city for the year of 1904 will be $634,500, a per capita charge of $1.81 upon each inhabitant. Owing to the peculiar topography of Pittsburgh and the irregular distribution of its inhabitants, it is hardly possible to estimate the average area of supervision by the patrolmen. In the congested and lawless districts the number required is naturally much larger than in the more sparsely populated suburbs. In the principal suburb of the city, that of the East End, a small force of mounted patrolmen is used with economy and good result. The pay of a patrolman is $3 a day, of a sergeant, $3.25 a day, of a lieutenant, $110 per month, and of a captain $125 per month. This fair remuneration, added to the assurance of reward for long and faithful service afforded by the Police Pension Fund, has of late years attracted a fairly good class of applicants for appointment to the force, and younger and more intelligent men are now being recruited.

Under the administration of this fund, which is provided for by ordinances of Councils under authority of a special Act of Assembly, employees of the police force are retired on half pay at the expiration of twenty-five years of active service. The fund now amounts to $100,000, and is supported by the city by an annual appropriation by Council of $30 per man. Unquestionably the provisions of this fund have been of great influence in improving and maintaining the standard of character and *morale* of the force. In case of death, from any cause, the legal representatives of the decedent receive $1000, from the Pension Fund. There is also a so-called Defense Fund made up by voluntary assessment by the police themselves, for the protection of its beneficiaries against suits for damages for alleged injuries in the performance of official duty. The city pays policemen their wages during disability incurred in service, but not for time lost on account of illness.

As to the manner in which practical politics affects the police system, it must be confessed that, notwithstanding the fairly conscientious enforcement of the

Civil Service rules, a political pull is of considerable assistance towards obtaining a position on the force, but once the appointment secured political influence would scarcely secure the discharge of a competent man without other cause. Here, as in other large cities, improper use has been, without doubt, frequently made of the police force at primaries, political conventions and elections. It is quite possible, on such occasions, for the police to carry out instructions as to the suppression of disorder in such a way as to exclude a hostile disorderly element to the advantage of an equally disorderly and sometimes unlawful favored element. In such cases as these, however, it is a matter of difficulty to prove the actual offense; and, at any rate, the American political conscience is singularly and deplorably callous in the consideration of most offenses against the election laws and the freedom of the ballot, especially when perpetrated at primaries or political conventions.

Milwaukee.—*Police Administration.*[6] In 1885 the fire and police departments of Milwaukee were placed on a Civil Service Reform basis, and the change from old methods has been more than satisfactory. The appointments and promotions in the police force are made under the rules of the Fire and Police Commission, and the Chief of Police is appointed directly by that commission. The members of the Fire and Police Commission are appointed by the Mayor. Civil Service provisions prevail in the most approved sense of the term, and are enforced absolutely with marked results in the character and quality of the service. The divorce of the department from politics is complete.

The State exercises no control over the police force in any sense. The force consists of one Chief, one inspector, one captain, six lieutenants, sixteen sergeants, sixteen detectives and three hundred and six patrolmen. The area under police supervision is 22.53 square miles, or 14,419 acres, so that each officer has an average beat of 41½ acres. The greatest number of men on duty during the night is 177 patrolmen, with an average beat of 81½ acres. The greatest number during the day time is 68 patrolmen with an average beat of 212 acres. The total cost of maintaining the department during the year 1903 was $360,483. An extremely conservative estimate of the population is 220,000, making the per capita expense $1.64.

There has been no movement at any time for a change or an improvement of the service. Those, however, who are familiar with police conditions throughout the country are convinced that Milwaukee has a much smaller force numerically, than any city with the same population and area. In this connection it is an interesting fact that the percentage of crime in proportion to the population, including petty offenses, is far less than in any city of the same class. This is partly due to the character of the population, but very largely to the efficiency of the Chief of Police, and the advantages which the merit system affords him in the management of the force.

Washington, D. C.—*Police Administration.*[7] The police department is under the immediate control of the Commissioners of the District of Columbia, who are appointed by the President of the United States. Under the present form of

[6]Communication of John A. Butler, Esq., Milwaukee, Wis.
[7]Communication of George S. Wilson, Secretary Board of Charities, Washington, D. C.

government by commission in the District of Columbia, there are no elective offices, the entire local government being under the control of the Commissioners.

The selection of members of the police force is in strict accordance with Civil Service provisions. A strict physical and mental examination is passed, and personal or political influence has no weight in the selection of candidates. The police force is not involved in politics in any manner. Owing to the peculiar form of government in the District of Columbia, the question as to the control of the State authorities does not apply, as there is no distinction between State and city, the government of the District of Columbia being a unity, and the District itself being little more than the city of Washington and suburbs. The police force of the city, according to the official report, for the year 1903, consisted of 641 men, and the total area of the District of Columbia is 44,320 acres, allowing, approximately, one man for each 69 acres of territory. In considering these figures, it should be borne in mind that the figures are for the District of Columbia as a whole, and not for the city of Washington only. The suburban area in the District is much larger than would ordinarily be included within the city limits of a city of the size of Washington.

The total cost to the city for the year 1903 was approximately $800,000. The population of the city for the same year was about 280,000, which would make a cost, per capita, of approximately $2.86.

The police department of Washington is, without doubt, one of the most efficient in the United States. The head of the department, designated as "Major and Superintendent," is a most capable and conscientious official. His position was obtained by merit, and undoubtedly he will be retained as long as he is willing to remain in his present position. The charges of corruption and graft, so commonly heard in other cities, in connection with the police department, are unknown in Washington. It has never been seriously intimated, in any responsible quarter, that the police department would tolerate any form of law-breaking because of corrupt influence. A consistent policy of administration is pursued, and is not affected, in the least, by change of administration. The unique conditions existing as to governmental control in the District of Columbia, make it possible to eliminate political influence in local affairs; and in no direction is the advantage of these conditions more noticeable than in the administration of the police department.

Kansas City.—*Police Administration.*[8] The police department of Kansas City is regulated by the provisions of a State statute applying to the police in all cities having a population of not less than 100,000 and not more than 300,000. This statute establishes a Board of Police Commissioners consisting of three persons. The Mayor of the city is *ex officio* a member of the Commission and is President of the Police Board. The other two members are appointed by the Governor and confirmed by the Senate, and hold their offices for a term of three years, and until their successors have been elected and qualified. The Board of Police Commissioners have charge of the police department. The law provides that no person shall be appointed a member of the force who is not proven to be of good moral character. He must be able to read and write the English language and be pos-

[8]Communication of Henry L. McCune, Esq., Kansas City, Mo.

sessed of ordinary strength and courage. The Board is required from time to time to hold examinations for determining the qualifications and fitness of all applicants for appointment to positions on the force, such examinations to be held in pursuance of rules and regulations prescribed by the Board. The law provides for an eligible list and for promotion from lower to higher grades. The first employment of policemen and police officers is for a probationary term, during which time the Board may in its discretion discharge a man. Following the probationary term, policemen and police officers may be appointed for an additional term of three years. Thereafter, they are subject to removal only for cause upon complaint made and after a hearing by the Board, at which they are entitled to be present and represented by counsel. The Board may, however, at any time discharge policemen or officers when, in the opinion of the Board, the police force is larger than the interests of the public demand, or when in its opinion there are insufficient funds to pay the expenses of maintaining the force as organized. This provision has afforded a convenient method of evading the Civil Service regulations. The Chief of Police may suspend policemen or police officers (except the Secretary of the Board and police surgeon) against whom charges have been made, until a trial can be had before the Board. Members of the force who have performed faithful service are preferred in making new appointments. Officers who have been crippled or grown old in the service may be assigned by the Board to special duty, or other proper provision be made for them. The statute also makes provision for a police relief association and authorizes the Board to make rules providing for the relief and compensation of members of the police force injured in the discharge of their duty, and for the families of officers or men killed in the discharge of such duty.

A number of the foregoing Civil Service provisions have not been enforced by the Commissioners. No examinations, other than physical, are held, and there is no eligible list from which appointments are made.

The political influence of the Police Commissioners can be understood when it is known that they not only have the exclusive power to appoint, promote and remove members of the force, but are also vested with the authority to license saloons, and revoke such licenses. They are thus able not only to control the vote of the police and saloon, but they are also in a position to call upon the brewers, wholesale liquor dealers and public service corporations for liberal contributions to campaign funds.

There are 305 men in the employ of the police department, including officers, detectives and the Secretary of the Board of Police Commissioners. There are 205 patrolmen, being a little less than one to each 1000 of the population. As only one-half of the force is on duty at one time, the average area under the supervision of each patrolman is about 160 acres. The total cost of the department last year was $310,000, or about $1.45 per capita of the population. The Police Commissioners are asking this year for $366,000.

Changes and improvements in the service are being proposed by the Board of Police Commissioners, and also by different civic organizations. The Board has announced that 30 new patrolmen will be added to the force at once. A police signal system has been purchased during the past year at a cost of $77,000; $5000 will be expended this year in improving this system Other improvements

proposed include one new station house, an emergency hospital, and other equipment. On the part of the civic and commercial organizations, there is a strong sentiment in favor of securing a change in the law so that the Commissioners now appointed by the Governor may be chosen by the city itself. It is also proposed that the power to license dramshops be taken out of the hands of the Police Board. An attempt to secure legislation along these lines will be attempted at the next meeting of the Legislature.

At the next general election, the people will vote upon a proposed amendment to the Constitution authorizing the Legislature to provide by law for the pensioning of members of the police department who may become disabled or superannuated and for the relief of the widows and minor children of deceased members of the force.

Grand Rapids.—*Police Administration.*[9] The police department is joined with the fire department under the control of a Board of Police and Fire Commissioners, which consists of five citizens appointed by the Mayor without confirmation by the Council. The appointments are for five years, one member retiring each year. The Mayor is not a member of the Board and has no authority to remove the Commissioners during their term of office. As the Mayor is elected for two years, he has to be elected a second time before he can change the majority membership of the Board. The charter, while giving the Mayor the usual authority to enforce all laws and ordinances, hands over to the Board the direct supervision of the police force, and the Mayor would have to exert an unusual amount of backbone to dominate the police administration, if the Board was unfriendly to his policy.

At the present time there is little or no complaint of political interference with the police department. The Board has absolute authority to appoint and remove police officers, but in practice appointments have generally been made for merit. The average length of service of active members now on the force has been about nine years. The Superintendent of Police is, according to the custom here, a civilian. The present Superintendent has been in office for eleven years. There is no State control of the police force in any form.

The total area of the city is 17.5 square miles and the number of patrolmen is 73. Some parts of the city are not covered by the regular beats. The Common Council has appropriated funds this year for ten additional patrolmen, as some of the outlying districts have been badly in need of better protection of late. The annual expense of the department is about $85,000, or approximately 90 cents per capita of the population. The service is generally good. The principal complaint here, as in most places, is in regard to the attitude of the police towards the saloons, gambling and vice. The enforcement of the law along these lines is not stringent, and is somewhat spasmodic. It all depends on the attitude of the Police Commissioners and the Mayor. There is no reason to believe that any extensive corruption exists in the force, but it is known that the "sporting" elements have, or try to have, one or more representatives on the Board to take care of their interests. The Board, as now constituted, has a majority of high-class citizens. Though there is some complaint about the division of respon-

[9]Communication of Delos F. Wilcox, Esq., Secretary Civic Club, Grand Rapids, Mich.

sibility in the department, there is no expectation of any radical changes in organization in the near future.

Seattle.—*Police Administration.*[10] The City Charter of Seattle places the power to appoint and remove the Chief of Police in the hands of the Mayor subject to the provision that such appointee shall pass a Civil Service examination. The Civil Service Commission is composed of three members not more than two of whom shall belong to the same political party. The members of this Board hold office for three years, one being appointed each year by the Mayor, who has the discretionary power to remove them; but in case of the removal of a Civil Service Commissioner by the Mayor the vacancy is filled by the City Council.

All subordinate police officers are appointed by the Chief of Police under civil service rules. The police system is entirely under municipal control, although there seems to be nothing in the State Constitution as interpreted by the Supreme Court to prevent the Legislature from making provision by general legislation for effective State supervision of the police service in cities of the first class.

The City Charter of Seattle provides that the police force shall not exceed one officer to each one thousand of population. On this basis Seattle would now be entitled to a police force of at least 130 men. At the present time, however, the city has only 74 patrolmen. These are supposed to furnish police protection throughout the 28.3 square miles of territory included within the limits of the city. Practically, however, police supervision is limited to the business district. The expense of the police department for the year 1903 was $101,001.04. There is doubtless some ground for the charges of corruption and inefficiency; but, considering the small size of the police force and the difficulties that must be contended with in a city such as Seattle, the system may be regarded as fairly efficient. The police here are not an active factor in municipal politics.

Duluth, Minn.—*Police Administration.*[11] The control and supervision of the police department of the city of Duluth is vested in the Mayor of the city. The executive head of the department is the Chief of Police. All officials of the department are appointed by the Mayor and are subject to removal at his pleasure, the Chief of Police absolutely, the other members in compliance with the civil service rules of the city. The entire force, except the Chief, is by charter provision under the classified Civil Service of the city. All appointments are made from a list of eligibles furnished by the Board of Civil Service Commissioners; and, in case of removals, the Mayor is required, within twenty-four hours thereafter, to file in his office, open to public inspection, a statement of the cause. No control is exercised by the State authorities over the municipal police.

In Duluth all interference by the police in politics, except as the members thereof "may quietly exercise the right of suffrage as other citizens," is expressly forbidden by regulation. The question of the discipline or efficiency of the force may be and has at times in the past been an issue in Mayoralty elections in so far as the appointment of a chief may influence such conditions; but the pernicious personal activity of the individual member is now a practically

[10]Communication of Prof. J. Allen Smith, University of Washington, Seattle, Wash.
[11]Communication of W. G. Joerns, Esq., Duluth, Minn.

unknown quantity. The general personnel, since the adoption of the new "home rule" charter in 1900, is under the protection as well as restriction of Civil Service regulations, and we have here recently witnessed a partisan change in the Mayoralty with the somewhat unique accompaniment of the undisturbed continuance in office of a faithful and efficient Chief, who is presumably of adverse political persuasion to the new administration.

The total appropriation for police purposes for 1904 was $55,602.28, and this must remain the extent of the expenditure of the department, under charter provision, until the next annual tax levy and appropriation.

The city limits of Duluth encompass 69 square miles of territory and the different sections of the city lie widely scattered over this large area. The city has approximately 70,000 inhabitants, is one of the busiest of lake ports and the center of an important lumbering and mining district. Under the appropriation stated, the department is able to maintain an effective force (including Chief and office and station men) of 57 and no more. This number, it has been urgently represented by the Chief, is insufficient properly to cover a territory so widely scattered and peculiarly subject to conditions demanding careful police surveillance, and he has asked the Budget Committee for provision in next year's levy for 12 additional men. Notwithstanding the apparent handicap,the service has been exceptionally efficient and satisfactory.

There is at the present time no special movement for change or improvement in the service. Within the last three or four years, however, under competent direction, the force has made admirable progress in appearance and discipline. Drills for efficiency, revolver and rifle practice, etc., have been inaugurated and are regularly and rigidly kept up. More latterly the Bertillon system of measurement has been formally adopted and a so-called, thoroughly systematized "rogues gallery" established. The department is also in close touch with the National Bureau of Detection at Washington; and, in the detection and prevention of crime and arrest of criminals, has not only done most effective work on its own account, but has also been of substantial assistance to similar departments in other sections.

II. DEPARTMENT OF PHILANTHROPY, CHARITIES AND SOCIAL PROBLEMS

Report of the British Inter-Department Committee of Physical Deterioration—This Committee was appointed by the Duke of Devonshire, Lord President of the Council, in September, 1903, to make a preliminary inquiry into the allegations concerning the deterioration of certain classes of the population as shown by the large percentage of rejections for physical causes of recruits for the Army. The Terms of Revenue were subsequently enlarged, to determine the steps that should be taken to furnish the Government with periodical data for an accurate comparative estimate of the health and physique of the people; to indicate the causes of physical deterioration in certain classes and to point out the means by which it can be most effectually diminished. The Committee was composed of eight experts, connected with various departments of the government and has performed its duty with the usual British thoroughness and care.

At the outset of the enquiry, the Director-General of the Army Medical Staff said that the question was not that there was evidence of progressive physical deterioration of the race, but the fact that from 40 to 60 per cent. of the men who present themselves for enlistment are found to be physically unfit for military service. To this Professor Cunningham of the British Association for the Advancement of Science rejoins that the evidence which is obtained for recruiting statistics is unreliable, "because the class from which the recruits are derived varies from time to time with the conditions of the labor market. When trade is good and employment is plentiful it is only from the lowest stratum of the people that the Army receives its supply of men; when, on the other hand, trade is bad, a better class of recruit is available. Consequently the records of the recruiting department of the Army do not deal with a homogeneous sample of the people taken from one distinct class."

The Army witnesses admitted that the real lesson of the recruiting figures was the failure of the Army to attract a good type of recruit. Most of the men who want to enlist are street loafers—what Charles Booth calls "hereditary casuals;" who hate regular work and crave excitement. The Committee says that this also tends to explain the drain from desertion among those who find themselves disappointed in the hopes of an easy existence. "A close comparison between Admiralty and War Office statistics is hardly possible, as in the first place Naval regulations for medical examinations are more stringent, especially as regards eyesight and teeth, while on the other hand the great bulk of recruits for the Naval Service are probably drawn from a higher social level."

The British Association for the Advancement of Science appointed a committee at its last Congress to organize Anthropometric Investigation, in which connection Professor Cunningham says:

"In spite of the marked variations which are seen in the physique of the different classes of the people of Great Britain, anthropologists believe, with good reason, that there is a mean physical standard, which is the inheritance of the people as a whole and that no matter how far certain sections of the people

may deviate from this by deterioration (produced by the causes referred to) the tendency of the race as a whole will always be to maintain the inherited mean. In other words, those inferior bodily characters which are the result of poverty (and not vice, such as syphilis and alcoholism) and which are therefore acquired during the lifetime of the individual, are not transmissible from one generation to another. To restore, therefore, the classes in which this inferiority exists to the mean standard of national physique, all that is required is to improve the conditions of living and in one or two generations the ground that has been lost will be recovered."

Professor Cunningham brought forward an elaborate scheme for what would practically be a physical census of the United Kingdom, which was backed up by the British Association and by the Royal College of Physicians and Surgeons. The Committee evidently felt that this was too large an undertaking, but suggested a modification of it, a survey being mainly centered upon the youth of the country, in co-operation with all the forces of government, general and local, and with the large manufactories, hospitals, chambers of agriculture, trade unions and benefit societies, universities and public schools and insurance agencies. The tests used by local authorities should by standardized.

In substantiation of its belief that physical deterioration is not general, the Committee presents the following summary of the conclusions of Dr. Eichholz, Inspector of Schools:

(1) "I draw a clear distinction between physical degeneracy on the one hand and inherited retrogressive deterioration on the other.

(2) "With regard to physical degeneracy, the children frequenting the poorer schools of London and the large towns betray a most serious condition of affairs, calling for ameliorative and arrestive measures, the most impressive features being the apathy of parents as regards the school, the lack of parental care of children, the poor physique, powers of endurance and educational attainments of the children attending school.

(3) "Nevertheless, even in the poorer districts there exist schools of a type above the lowest, which show a marked upward and improving tendency, physically and educationally—though the rate of improvement would be capable of considerable acceleration under suitable measures.

(4) "In the better districts of the towns there exist public elementary schools frequented by children not merely equal but often superior in physique and attainments to rural children. And these schools seem to be at least as numerous as schools of the lowest type.

(5) "While there are, unfortunately, very abundant signs of physical defect traceable to neglect, poverty and ignorance, it is not possible to obtain any satisfactory or conclusive evidence of hereditary physical deterioration—that is to say, deterioration of a gradual retrogressive permanent nature, affecting one generation more acutely than the previous. There is little, if anything, in fact, to justify the conclusion that neglect, poverty and parental ignorance, serious as their results are, possess any marked hereditary effect, or that heredity plays any significant part in establishing the physical degeneracy of the poorer population.

(6) "In every case of alleged progressive hereditary deterioration among

the children frequenting an elementary school, it is found that the neighborhood has suffered by the migration of the better artisan class, or by the influx of worse population from elsewhere.

(7) "Other than the well-known specifically hereditary diseases which affect poor and well-to-do alike, there appears to be very little real evidence on the pre-natal side to account for the widespread physical degeneracy among the poorer population. There is, accordingly, every reason to anticipate, rapid amelioration of physique so soon as improvement occurs in external conditions, particularly as regards food, clothing, overcrowding, cleanliness, drunkenness and the spread of practical knowledge of home management.

(8) "In fact, all evidence points to active, rapid improvement, bodily and mental, in the worst districts, so soon as they are exposed to better circumstances, even the weaker children recovering at a later age from the evil effects of infant life.

(9) "Compulsory school attendance, the more rigorous scheduling of children of school age and the abolition of school fees in elementary schools, have swept into the schools an annually increasing proportion of children during the last thirty years. These circumstances are largely responsible for focussing public notice on the severer cases of physical impairment—just as, at a previous stage in educational development, they established the need for special training of the more defined types of physical deficiency—the blind, the deaf, the feeble-minded and the crippled.

(10) "The apparent deterioration in Army recruiting material seems to be associated with the demand for youthful labor in unskilled occupations, which pay well, and absorb adolescent population more and more completely year by year. Moreover, owing to the peculiar circumstances of apprenticeship which are coming to prevail in this country, clever boys are often unable to take up skilled work on leaving school. This circumstance puts additional pressure on the field of unskilled labor and coupled with the high rates of wages for unskilled labor, tends to force out of competition the aimless wastrel population at the bottom of the intellectual scale and this, unfortunately, becomes more and more the material available for Army recruiting purposes.

(11) "Close attention seems to be needed in respect of the physical condition of young girls who take up industrial employment between the ages of fourteen and eighteen. The conditions under which they work, rest and feed doubtless account for the rapid falling off in physique which so frequently accompanies the transition from school to work."

After a resumé of the machinery which exists for improving housing conditions, for sanitation, for medical service, factory and labor regulation, etc., the Committee says:

"On the other hand, in large classes of the community there has not been developed a desire for improvement commensurate with the opportunities offered to them. Laziness, want of thrift, ignorance of household management and particularly the choice and preparation of food, filth, indifference to parental obligations, drunkenness, largely infect adults of both sexes and press with terrible severity upon their children. The very growth of the family resources, upon which statisticians congratulate themselves, accompanied as it frequently is

by great unwisdom in their application to raising the standard of comfort, is often productive of the most disastrous consequences. 'The people perish for lack of knowledge,' or, as it is elsewhere put, 'lunacy increases with the rise of wages and the greater spending power of the operative class; while a falling wage-rate is associated with a decrease of drunkenness, crime, and lunacy.' Local authorities, moreover, especially in the rural districts, are often reluctant to use their powers and in these circumstances progress, unless stimulated by a healthy public conscience in matters of hygiene, is slower than might be wished."

The evidence presented by the Committee in regard to overcrowding and unsanitary development reads like a chapter from the report of the New York Tenement House Commission. Evidently there is a vast missionary field still untouched in many—if not most—of the manufacturing cities of England and Scotland. Edinburgh, Sheffield, Newcastle, Dundee, Manchester, to take a few cities at random, are all given dishonorable mention in the report of the Committee, which recommends that the local authority should treat an unhealthy or overcrowded house as a nuisance and dispossess the tenants. "The permanent difficulties that attach to the problem reside in the character of the people themselves, their feebleness and indifference, their reluctance to move and their incapability of moving." The Committee also considers tentatively the expedients which have been suggested for disposing of habitual vagrants.

The Committee are not prepared to indicate the exact lines upon which these ought to be modeled; "a large latitude should probably be left to each locality in healing its own sores, but as a last resource compulsory detention in labor colonies would have to be resorted to and the children of those made subject to this experiment lodged in public nurseries, until their parents were improved up to the point at which they could resume charge."

The attention of the Committee was prominently called to the effect on public health of the pollution of the atmosphere. A Manchester witness said: "The condition of the air by its direct effect on lungs and skin is the cause of much disease and physical deterioration. By cutting off much of the scant supply of sunlight which is all that Manchester at best would be allowed by its gloomy climate to receive, it injures health. The filthiness of the air makes those inhabitants of all parts of Manchester who value cleanliness most unwilling to ventilate their dwellings. By killing nearly all vegetation and by its other effects, the foulness of the air contributes much to that general gloominess of the town which led Mr. Justice Day to say in explanation of the prevalence of drunkenness in the town, that to get drunk 'is the shortest way out of Manchester.' "

The chief causes of this pollution are alleged to be the non-enforcement of the law for the prevention of smoke from factories, the imposition of inadequate penalties, the neglect to limit works which produce noxious vapors to special areas where they can be closely supervised and so do the least possible amount of harm; and lastly, the absence of any provision in the law compelling the occupants of dwellings to produce the least possible quantity of smoke.

On the point of prosecutions, it was stated that "there are people in Manchester who systematically pollute the air and pay the fine, finding it much

cheaper to do so than to put up new plant. The trial of such cases before benches of magistrates composed of manufacturers or their friends creates an atmosphere of sympathy for the accused and it was alleged that magistrates who had sought to give effect to the law encountered the indifference and sometimes the positive opposition of their colleagues."

The Committee also offers some general testimony in regard to the effect of alcoholism, which is well summarized thus:

"Next to the urbanization of people and intimately associated with it, as the outcome of many of the conditions it creates the question of 'drink' occupies a prominent place among the causes of degeneration. The close connection between a craving for drink and bad housing, bad feeding, a polluted and depressing atmosphere, long hours of work in overheated and often ill-ventilated rooms, only relieved by the excitement of town life, is too self-evident to need demonstration, nor unfortunately is the extent of the evil more open to dispute."

The statement is made that drinking habits among women of the working classes are certainly growing, factory labor being mentioned as a predisposing cause. Reference is also made, in this connection, to the want of easily accessible and attractive means of recreation, which make the public-house the only certain center of social relaxation. On the other hand, testimony is offered as to the deterioration due to constant tea drinking! We quote from the report:

"Another fruitful and one of the must unsuspected causes of deterioration lies in the long ingrained habit of tea drinking at breakfast and other times in the factories and foundries of the city. Tea drinking, if it really were so, might not be harmful, but unfortunately the mixture drunk can hardly be called tea at all. More frequently than not boiling water is poured on too large an amount of poor tea leaves and is left to stand until the tea has become almost a stew and this dark and nasty mixture is drunk, sometimes three and four times a day, by hundreds of young lads, setting up frequently various forms of varicocele and is responsible for several kindred evils (excessive costiveness, etc.) We are informed by the late Chief Recruiting Officer in Manchester some time ago that a very large proportion of young men rejected for the Army had been refused on account of ailments brought about by this practice."

Over thirty pages of the report deal with the conditions attending the life of the juvenile population. In connection with the waste that goes on under the name of Infant Mortality, the Committee says:

"Among the most highly organized nations, where the tendency to a decrease in the birth-rate becomes more or less noticeable, the means by which infant mortality can be averted, present a social problem of the first importance. Unfortunately in the volume of vital statistics, from which so many consolatory reflections are drawn, infant mortality remains a dark page.

"Three facts stand out prominently as the result of this investigation: First, that infantile mortality in this country has not decreased materially during the last twenty-five years, notwithstanding that the general death-rate has fallen considerably; secondly, that the mortality among illegitimate children is enormously greater than among children born in wedlock; thirdly, that about one-half the mortality occurs in the first three months of life."

Much evidence is furnished to confirm these conclusions. The infant death-rate in a number of English and Scotch manufacturing cities was shown to average from 200 to 236 per 1000 births. In Dundee, Sheffield and many Lancashire towns it is a common thing to find a woman who has had a dozen children and has lost all but one or two of them. The report comments on the difficulty of getting complete figures as to infant mortality, owing to the absence in Great Britain of any registration of still-births!

"Every witness who was questioned on the subject agreed in deploring the present neglect and the Committee are emphatically of opinion that still-births should be registered, as apart from the advantages a system of registration would have in making it easier to bring home instances of malpractice, a knowledge of the facts as to the frequency of still-births would be of great value towards elucidating the causes of infant mortality by throwing light on the ante-natal conditions prejudicial to the survival of the fœtus."

The subject of infant insurance was also considered. "As to the propriety of interfering with this practice different opinions were expressed, though it was the general view that it contributed to parental negligence. On the whole it was thought that if restricted so as to cover the actual expenses of burial, its principal abuses would disappear. The evidence of Sir Lambert Ormsby, President of the Royal College of Surgeons in Ireland, upon Irish practice in this regard, pointed to the prevalence of a very low view on the part of many medical men in respect to their obligations towards the security of infant life under the conditions touching insurance in that country.

"The Committee do not think that upon the evidence they are in a position to make any definite recommendation on this point, but they consider that the operation of the practice should be carefully watched."

So far as the Committee are in a position to judge, "the influence of heredity in the form of the transmission of any direct taint is not a considerable factor in the production of degenerates."

In connection with the employment of mothers late in pregnancy and too soon after childbirth, a very general agreement was expressed that the factory employment of mothers had a bad effect on the offspring, both direct and indirect, but opinions differ as to the extent of the evil and the practical steps that could be taken to remedy it. It is to be found in the most acute form in the pottery districts and in textile mills. Speaking from an extensive experience in the potteries, Miss Garnett declared that "married women's labor was really the root of all the mischief; the children are born very weakly, they are improperly fed and placed in the charge of incapable people. She admitted the impossibility of interference by any general prohibition, but thought the period during which women are not permitted to return to work after their confinement should be extended.

"The existing law requires that no occupier of a factory shall knowingly allow a woman to be employed within four weeks after she has given birth to a child. Thus no legal offense arises unless the occupier, with a full knowledge of the facts, is yet responsible for the employment, a situation which, in the ordinary conditions attending factory labor, it is almost impossible to prove. It is needless to say that in these circumstances prosecutions are infrequent or

abortive, and though there may be a pretty uniform observation of the law, cases in which it is broken are numerous in some districts, amounting it is thought to general evasion."

One point was explained by several witnesses, that "great harm is done and suffering occasioned to the women by their remaining at work too long before confinement as well as by their returning too soon after it."

Miss Anderson the chief factory inspector notes "the general neglect of voluntary agencies for helping mothers before and after confinement, to take care of infant life, even where such agencies exist. In Lancashire, where, it is said, insurances of all kinds abound, no form of provident society exists to which women could contribute while still able to earn wages, nor has any attempt been made to organize a maternity fund, towards which both employer and employed might contribute. The existence of such a fund at Muelhausen is said to have resulted in the reduction of infant mortality by half. The Committee would strongly urge the adoption of such methods of voluntary assistance and think it not improbable that endowments may be found in many places which could be utilized as the nucleus for a considerable amount of charitable effort in this direction."

The Committee has gone at some length into the matter of infant dietary.

"A decrease at the present time in breast feeding is generally admitted to be the case in all classes of society, at any rate in the urban districts. With the poor, it seems fair to say that their failure in this respect is due to inability rather than unwillingness, especially in view of the fact that as long as it can be properly continued breast feeding is much the most economical way of nourishing an infant. It is, however, no doubt, the case that women are often unwilling to nurse their own children because it interferes with their going to work."

In connection with the importance of being able to obtain a sufficient supply of good cow's milk "the Committee are confronted with a great deal of evidence to the effect that it is next to impossible to ensure such a supply, at any rate to the poorer classes. It is not a little curious that, while people in the rural districts have a growing difficulty in obtaining milk because it pays better to send it into the towns, the great mass of the dwellers in towns are in no better case than formerly. There is in fact a great lack of organization in the distribution of this prime necessity, a great want of knowledge as to its value and very inadequate means for its preservation from the most obvious sources of pollution."

The report also deals with parental ignorance and neglect and calls attention to the frequent cases of children being smothered by careless or drunken parents, by "overlaying," the cases generally occurring between Friday night and Monday morning.

Much evil arises from the chronic sleeplessness fostered by the conditions of life so largely prevalent. The lack of sleep from which town children suffer was mentioned by several witnesses as a cause of degeneration. Children in the slums are habitually up till late at night.

A large body of evidence was tendered as to the organization and operations of the Manchester and Salford Ladies' Public Health Society and the Committee had the advantage of examining on the subject Mrs. Worthington, one

of its principal members, and Mrs. Bostock, one of the Health Visitors it employs. "The society, which has been in existence for over twenty-five years, has for its object the discovery of all those conditions that are adverse to public health and especially the bringing within the knowledge of the mothers among the poor such information as will enable them to do their duty by their children. The poorer parts of both towns are divided into districts, each under the supervision of one or more of the ladies who constitute the Society, and, subject to their directions, a number of Health Visitors, who are in part paid by the corporation, undertake the duty of visiting every house in which the birth of a child is reported, with the object of educating mothers in the best methods of bringing up young children. By these means, Mrs. Worthington stated that a good deal of influence has been brought to bear upon them to adopt regular hours and not be quite so miscellaneous in their feeding operations, and it is said that they now have acquired some settled notion of what is the best type of food to give children. Incidentally and very largely the labors of the Health Visitors in this connection bring to their knowledge all sorts of insanitary conditions, arising from overcrowding, stopped drains and structural defects, which they proceed to report to the municipality on a form provided for the purpose. As the result, an inspector is at once sent and the evil is put right before very long. In a recent report of the Society's work, it is said that the Health Visitors have made 30,364 inspections of houses and have reported 1500 cases of insanitary conditions and the Medical Officer of Manchester testifies that the effect is marked in the poorer districts of the city and that "an improvement on former conditions can now be generally discovered." The report goes on to quote from one of the Superintendents that the poor "look upon the Health Visitor as their best friend and there are few homes where she is not made welcome."

Apropos of the need of Medical Inspection of School Children the report says:

"In a country without compulsory military service the period of school life offers the State its only opportunity for taking stock of the physique of the whole population and securing to its profit the conditions most favorable to healthy development. While the schools on the whole seem to be in a good state, Mrs. Greenwood drew a sad picture of the dirt and darkness in some of of the Sheffield schools, and Dr. Kelly, Bishop of Ross, taxed the National Board with indifference to the warming of schools, from which children suffered acutely. It appears that whatever fuel is used in schools in Ireland has to be procured by voluntary contributions or brought there by the children themselves and it is not an uncommon thing for children to take a sod or two of turf to school on a winter's morning. Dr. Kelly goes on:

"I might set it down as one of the causes of the poor physical development in Ireland that the school children are unfairly, in fact I might say cruelly, treated in the schools themselves. I see how many of these little children go to school all the winter barefooted and in some instances they go to school where there is no fire. The country children have to travel a couple of miles to school; a great many of them have no cloak or shawl, or anything to cover them. Ireland is rather a rainy country and they go wet into the school and sit down there shivering all day."

The Committee think that a system under which the infliction of such suffering on poor children is possible requires amendment.

The importance of physical exercise and organized games is dwelt upon and Boston, U. S. A., was taken as an example of the best practice in this respect. The teaching of cooking and household management is also emphasized. It is evident from the statements and recommendations made by the Committee, that Great Britain is a generation behind the practice of the United States in this matter of special teaching for "retarded children," and in provision of juvenile Courts and the Probation System.

One of the most interesting discussions which took place in the Committee was over proposals in regard to ensuring adequate nourishment of school children. As one witness said:

"We have got to the point where we must face the question whether the logical culmination of free education is not free meals in some form or other, it being cruelty to force a child to go to learn what it has not strength to learn."

But he agreed that the parents should be made to pay if possible. "The opinion of Mr. S. C. Loch is worthy of consideration, as being presumably the official view of the Charity Organization Society. He found fault with the existing systems of voluntary feeding, as 'purely a movement against destitution without regard to education;' he stated his belief that no child should ever be fed without thorough investigation into the circumstances of its family, and no free meal given except in special cases and then only as secretly as possible; but he admitted the necessity in special cases. The feeding should not be at the school, though it does not appear from his evidence where it ought to be. He instanced the difficulty in former days, before the Free Education Act of 1891, of getting educational fees out of parents, and argued there would be similar difficulty in getting feeding fees. Both Mr. Loch and Mr. Shirley Murphy thought that in cases of real destitution the Poor Law Administration should always be brought into play and not kept out by any system of free feeding.

The Committee speaks of the "somewhat dangerous doctrine that free meals are the necessary concomitant of free education. Education is a great social need, which individual citizens are, as a rule, not able to provide for their children on a sufficient scale, but food, like clothing and lodging, is a personal necessity, which in a well-ordered society it is not inherently impossible for parents to provide; and the effort to supplement their deficiencies and to correct the effects of their neglect, should aim, in the first instance, at the restoration of self-respect and the enforcement of parental duty."

The report also notices special subjects, which bear on the general purpose of this inquiry, such as syphilis, insanity, defective eyesight, deafness and dental deterioration.

In its elaborate and somewhat indefinite summary of recommendations, it is suggested that a permanent anthropometric survey should be organized; that a Register of Sickness—not confined to infectious diseases—should be established; that the time has come for dealing drastically with overcrowding; that the State should "take charge of the lives of those who are incapable of independent existence up to the standard of decency which it imposes;" that the medical inspection of factories and employees be extended; that the inspec-

tion of workshops, as distinguished from factories, should be strengthened; that teachers should expatiate on the "moral wickedness of drinking" (*sic*); and that the sale of tobacco and cigarettes to children be prohibited. There are fifty-three specific recommendations in this report, of which many are thoroughly practical and nearly all are sensible; a few are, however, either chimerical or of doubtful value. The report is a volume of 137 pages of octavo and is amply furnished with statistical data. It is impossible to do more than suggest its importance in this necessarily brief summary. It can be purchased through any English bookseller for one shilling and two pence.

E. E. W.

The Committee on Lectures and Libraries of the Board of Education of the City of New York has recently published its report on the cost of free lectures to the people which were held during the winter of 1903–1904. Dr. Henry M. Leipziger, the Supervisor of Lectures, is full of splendid enthusiasm and has carried this important educational work forward with great executive ability and absolute sanity of judgment. The lecture courses are systematically organized with the definite purpose of stimulating study, co-operating with the public library and museum, encouraging discussion and bringing the best methods of the best teachers to bear upon the great problem of the diffusion of culture among all citizens. He reports that the success of the sixteenth season of public lectures has proven the value of this system of education for adults. The number of lecture centers was increased (from 128 in 1903) to 143. Four thousand six hundred and sixty-five lectures were given by four hundred and fifty-three lecturers and the total attendance as shown by the statistics in later pages of this report, reached one million one hundred and thirty-four thousand. The increase in the number of lecture centers was made in response to requests for their establishment and the attendance is gratifying when the unusual severity of the winter, the fact that the lectures closed earlier than usual, and that there were other drawbacks to the gathering of large assemblies, are considered.

Observations on Free Coffee and Sandwich Distribution in a New York Mission.[1]—"You might not believe it, my friend, but there are probably a thousand men on or near the Bowery tonight who haven't the price of a meal or a lodging. That's why we give out a thousand rolls and a thousand cups of coffee every morning at one o'clock from the first of January to the first of April. Drop in some night and I'll show you what the men are like and how it is done."

Being interested in verifying the truth of the introductory statement, I decided a few nights later to accept the invitation, but not exactly as given, as I have learned that there are far more interesting and far more instructive ways of "seeing what the men are like" than by just looking on.

We started out at about midnight, my chum and I, fellow-tramps for the time being, if such we might be called—our objective point, the Bowery Mission. I wore two pairs of summer trousers, a much bedraggled striped and torn jersey—a relic of college days—an old coat and a discarded summer raincoat, slouch hat and dirty shoes. Ruffled hair, beard of two days' growth, face and hands smeared as much as the most fastidious loafer could wish for, together with the usual

[1] Contributed by Frank Everett Wing.

complement of pipe and tobacco, added the finishing touches to my disguise.

It was one of the coldest of winter nights. We were obliged to walk at a rapid pace in order to keep warm, and as we turned the corner of Fourth Street on to the Bowery, an unusually cold blast of wind warned us that the worst was yet to come. It required but a few minutes of this to cause us to realize, partially at least, the terrors cold winter has for the great army of the poorly clad that nightly walks our city streets. Now and then a belated pedestrian squinted out at us from the recesses of his upturned coat collar. More often we were not permitted so much as a glance as we half loitered on our way. It being too cold for pleasure seekers and roisterers, few people were to be seen, save now and then a lone crusader, who showed by his appearance and the direction in which he was going that his mecca was the same as ours.

Soon we were near enough to see the long dark line of bent-over shivering forms, already there ahead of us, waiting for the doors to open and the feeding to begin. On warmer nights I have seen by actual count fully eight hundred men in line. In the middle of this windy winter's night, with hands in their pockets, dancing from one foot to another to keep warm, with a song or a joke here, with a remark about the cold there, with impatience exhibited everywhere, this long line of humanity was waiting for what? A cup of hot coffee and a dry, unbuttered roll. This was the crowd we were about to join.

Many times, when looking at such a sight as this, I have thought how great must be the need to induce a man to belittle himself so much as to be willing to fall into a beggar's line for a loaf of bread. It has seemed that it would be extremely hard for a man to do this, even as an experiment, without the incentive of hunger to make it easier. I will confess that there was some such feeling in my mind then as I approached. Strange to say, however, when once a part of it, there was not the least touch of shame at being there. This shows how easy it is to get in line and to go with the crowd.

Soon a movement in front told that the game was on. Following the crowd we groped our way, or rather, were jostled by those behind, down the stairs into the basement.

From the attendants at the door each received a large roll and a cup of coffee as he passed by and was then directed further on toward the rear of the room. After the manner of most of those about me, I hastened to wash down my first roll in silence in order to take my place at the end of the line outside so as not to miss a second ration. This was easily managed; for, while the crowd was large, there was provision for more than twice as many.

With my second supply on hand, I had an opportunity to test the completeness of my disguise. Partly with the idea of getting into a place where I could eat quietly by myself, and partly to be able to study the rest at a distance, I stepped half thoughtlessly into an empty corner. I was not permitted to enjoy this privilege long, however, for a gruff voice sang out, "Come there, you! Get out of that corner. That ain't no loafing place for such as you."

Looking up, I saw it was my friend of a few nights before, the doorkeeper, addressing me. He did not recognize me in my new role and I did not take the trouble to enlighten him, but made haste to obey the by no means uncertain command.

Let us glance at the personnel of the group in the center of which I found myself. Poorly clothed? Yes, many of them, but by no means all. Physically unfit to work? Very few. Truly and hopelessly homeless? Not many more. Of society; coarser and lower tenth? All, undoubtedly. I am sure I am not overstating the facts when I affirm that fully three-fourths of the men here were being given food that they ought to have paid for. Many appeared to be workingmen, many more appeared to be men who occasionally work but who were out of a job; others were clearly able to work if they wanted to. Some had evidently come in after a night's dissipation at one of the near-by saloons. They showed that they had been drinking. Some had money in their pockets; one man had a loaf of bread that he had received at twelve o'clock in Fleischman's "bread line." With possibly a few exceptions, all could have earned food and lodging if they had cared to go to the woodyard for an honest half-day's work. They would prefer, however, to wait around half the night, and to get something for nothing in the end, than to do this.

It was now nearly two o'clock. Save for a few stragglers hanging about the door, the crowd had all disappeared. As it was part of our plan to learn where the men spent the night, we had picked out three of the worst looking characters with this end in view. They bore all the external markings of the vagrant, both in dress and in physical appearance. We followed them at as close a distance as we could without creating suspicion. Once they stopped on a street corner, apparently to argue as to where they should go. Then they walked on again. Finally they halted in front of the door of one of the darkest and dingiest of the Bowery Lodging Houses. Not a sign of life could be seen from the street; all was apparently dark inside. After some indecision one of the men stepped to the door and gave a signal, but received no answer. Another signal was tried. After a little waiting, the door opened and the men disappeared inside.

When we were near enough, we read the words "Alligator Hotel" over the doorway. As we waited, others came along and after giving what seemed to be the same sort of signal, they, too, were admitted.

At this juncture a policeman appeared. We asked him the nature of the place inside.

"I don't know; never have been in there," said he. "A lodging house, restaurant, and 'gin-mill,' probably, of the cheapest sort."

"Do you think it safe for anyone to go inside?"

"Oh, yes, undoubtedly, if you can get in," said he. "Go ahead and try it, if you want to. I'll wait out here on the sidewalk."

This was precisely what I did want to do. So, leaving my companion with the policeman a little distance up the street, I stepped to the door and rang the bell once. No answer. I rang again, this time twice, whereupon the door quietly opened and I found myself standing in the dark hallway. While walking through this long, narrow, unlighted passageway, I could hear voices in the distance and could see glints of light coming through the cracks and keyhole of a door at the end. Relying on my disguise for protection, I opened the door and entered the room beyond. Here I found a large dimly-lighted back room, a bar extending along one side, with doors entering the darkened restaurant in front. The floor was strewn with sawdust, and a large round, old-fashioned stove stood

in the center of the room. Standing around the stove and sitting at the tables were perhaps a hundred men, some talking, some smoking, some drinking, some dozing, some asleep—all of the lowest crust of humanity, forlorn, homeless, and one would almost be tempted to say hopeless.

My entrance was unnoticed, save by a waiter who happened to be passing as I opened the door. I ordered a cigar, put it in my pocket, and joined the group of men near the stove. Soon I gave one man some tobacco with which to make a cigarette and another filled his pipe at my expense. This act seemingly removed all social barriers and I was readily admitted to equal fellowship with the rest. Even here the men had money to spend for drinks. In fact, nothing else could be bought at this hour. I saw requests for soup and sandwiches refused, but big schooners of soapy-looking beer were being served, as well as something that passed for whiskey at five cents a glass.

My friend of the cigarette was the most communicative, and I soon found myself in his good graces. He had a somewhat superior air from which I inferred that he condescended to enter such a place as this only under conditions of extreme necessity. Later I found this to be the case. He said he was trying to get through the winter by shoveling coal. He had had hard luck this week and had not earned enough to live on. He worked for twenty-five cents a load and relied on the people for whom he worked to supply him with a dinner or a tip now and then.

"But it's mighty hard pulling this winter, my friend. This ain't the first time I have been obliged to come in here."

"Why don't you go to the Municipal Lodging House?" I suggested.

"Municipal Lodging House? Not much for this chap! He knows better than to go to that place and be 'chucked' to the 'Island.' If your head's level, you won't go there more than once. Do you know what they do with a feller? Why, whenever help runs short on the 'Island' they make a raid on the 'Dump.' That's what we call the Municipal Lodging House. They did it the other night and got ten men shipped over to work for 'em the next day. Stay clear of that place is my advice to you."

"I've just been down to the Bowery Mission," he continued. "That's a 'cinch' place to get something to eat."

"So've I been there too, old man," I replied, feeling that I had at last struck common ground. "I got round twice."

"H'm, that's nothing; I went 'round four times. I've got this much left for breakfast," said he, as he pulled a couple of rolls out of his pocket. "Do you want to know how I did it?"

"Yes, I rather think I would like to know."

"Well, you see, you have to work fast. I ate my first roll and drank my coffee, but after that I didn't stop for coffee. I just took my roll and skipped out to get in line again as quick as I could. When the line ain't too big, you can do this. Then I came up here, and I've got to hang around all night, because I haven't the price of a bed."

"How do you do it? I'm a bit green at this business," was my next inquiry.

"Oh, it's easy enough. You just stay where you are. If you get a chance to sit down, take it. If not, you'll have to stand up or lie on the floor. No one will bother you till half-past five to-morrow morning, when the porter will come

and wake you up. Then you can buy a cup of coffee for two cents, and nothing more will be said. That's all you have to do. That's what all these fellows are going to do. That's what I suppose I've got to do to-night."

What other secrets may have been disclosed, I cannot tell; for at this point in the conversation my friend, who had been waiting outside with the policeman, entered and signaled for me to join him. I had already learned many things that I wanted to know—enough for one night, at least. So, with a manufactured excuse, I left my new acquaintance to his prospects of a bunk on the floor, while I went on to a cleaner and a more comfortable bed.

Had I yielded to the impulse to give him the price of a lodging on the spot, I might have disclosed my identity, which I was not yet ready to do. More than all this, I would have been guilty myself of the same offense that I am charging so many societies of committing against this vagrant class.

INDEX OF NAMES

ABBREVIATIONS.—In the Index the following Abbreviations have been used: *pap.*, principal paper by the person named; *com.*, communication by the person named; *b*, review of book of which the person named is the author; *n.*, note by the person named; *r.*, review by the person named.

INDEX OF SUBJECTS

[Titles of papers are printed in small caps]