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Very truly yours
Charles A. Fowler

THE
NATIONAL ISSUES
OF
1916

BY
HON. CHARLES N. FOWLER

OF NEW JERSEY

AUTHOR OF

“SEVENTEEN TALKS ON THE BANKING QUESTION”

MEMBER OF THE HOUSE OF REPRESENTATIVES

FOR SIXTEEN YEARS (1895 TO 1911), AND

CHAIRMAN OF THE BANKING CURRENCY

COMMITTEE FOR EIGHT YEARS

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CONTENTS

CHAP.	PAGE
I. THE FLAG AND THE NATION	1
II. LINCOLN AND NATIONALITY	18
III. ON A TARIFF COMMISSION	116
IV. AN AMERICAN BANKING SYSTEM	135
V. AN AMERICAN MERCHANT MARINE	257
APPENDIX	421
INDEX	431



FOREWORD

To the young men of this Republic and to the cause of Republicanism, best expressed in the principles and best exemplified by the life and character of Abraham Lincoln, this book is dedicated.

THE AUTHOR.

ELIZABETH, NEW JERSEY,
January 1, 1916.

NATIONAL ISSUES OF 1916



NATIONAL ISSUES OF 1916

I

THE FLAG AND THE NATION OR TRUE PREPAREDNESS

Address delivered at Elizabeth, N. J., Wednesday, May 31st, 1915, before the Knights of Columbus, at a Flag-raising on Decoration Day.

THE flag represents whatever constitutes the nation. The flag of any nation symbolizes its characteristics. It in no way suggests government, whether a kingdom, an empire, or a republic; for government is only the temporary garment of the people who constitute the nation. Parties may come, and parties may go; kingdoms change to empires and empires in turn are forerunners of a republic; but the flag of a nation may persist through a revolution of successive changes, always remaining the emblem of the soul of a nation—the emblem of nationality.

We lift our eyes to the flag of the American people,—the American Nation,—and behold its beauty with such emotions as spring from a comprehension of its true significance.

It typifies the citizen. It typifies organized society. It typifies all social forces resulting in the organic life

NATIONAL ISSUES OF 1916

of the people, which is the composite of the character of one hundred millions of freemen.

The flag cannot signify more than the average and aggregate of all.

But above and beyond all else may this flag symbolize, in the coming time, the genuine and true in contrast with the spurious and fraudulent.

If it floats over a shoe-shop may it suggest good leather and the best workmanship. If it finds a place over the builders' quarters may it signify good material and honest carpentry. If it hangs from the window of a factory may every employee be inspired to faithful service, and every employer to genuine sympathy for his fellows and the noble purpose of cooperation. If men make it a means of calling attention to their wares may it be a guarantee of quality and not a mere herald of quantity.

If it is borne into distant climes by an American merchant marine may it signify everywhere and always the sterling character of the goods in the holds of the ships, until the entire world shall take our products as the standard by which all others are judged,—the test and touchstone being the interrogatory: "Is it as good as the American?"

If it should decorate the office of the physician or the lawyer may it serve to exalt the ideals of both and lead them to a genuine and sincere service of mankind.

If any social order should select the flag as its emblem, may it symbolize for it those virtues upon which the stability of society rests: charity, justice, brotherhood and fidelity.

If it is to be sustained by the flagstaffs over a thousand municipal buildings may it soon come to stand for economy, efficiency and honesty.

If it crowns the domes of our State Capitols, may it bespeak intelligence, sincerity, courage and patriotism.

THE FLAG AND THE NATION

If it continues to float over our public schools, may it ever be a guarantee that from generation to generation to the end of time, better, wiser and braver men and women are going out from their doors into a world that will be made a little better,—just a little better,—because its influence has entered into their lives, and the flag, in turn, be made a little richer and rendered more significant because their spirits have visited this earth, until this flag shall become the harbinger of every virtue and the chief glory of the world.

If it shall find its way into and become enshrined in the chapels and churches of the land, may it fill their atmosphere with the most generous impulses of good-fellowship and a catholicity of spirit leading them all into the realms of true and unalloyed righteousness,—into a common and generous endeavor for the amelioration of all mankind, and act as a solvent of all traditional prejudices and unreasoning dogmatism.

If it shall adorn and beautify an American home, let it stand for the honor of our men and the virtue of our women.

When the air of this earth for the first time kisses the eyes of the new-born anywhere under this flag, a child of the nation has come to give some expression to the future meaning of the flag. It is a child of the Republic, though it may live in a territory or a state.

All the children who for the first time see the light in the Hawaiian Islands, Porto Rico, Alaska, or any state of the Union are, all of them alike, citizens of the nation, though they are residents of the territory or state in which they live.

Every child is an asset of the nation. Therefore the national government should give them a national birth-right above reproach,—a birthright that cannot be challenged with the charge of illegitimacy. To guarantee such a birthright a national marriage and divorce law is essential, since today a child may be illegitimate

NATIONAL ISSUES OF 1916

in one State though legitimate in another. That much, at least, this nation owes its children.

We cannot hope for results by way of stronger and more resolute bodies and minds, which shall in the children's later years mean a large initiative, efficiency and productiveness, unless we remove from the lives of their mothers that constant crushing anxiety that not only deadens hope and inspiration in the mother's life, but also gradually lays its withering, paralyzing hands on the lives of the children, creating a downward pressure on life instead of an upward energy, sapping and undermining the vigor and hope of every member of the family.

To achieve this propitious and all-important purpose of proper motherhood the hours of the employment of women should be fixed by the nation.

Qualities of courage, faith, hope and thrift are not, generally speaking, bred and nurtured in families where continued poverty of life makes it impossible for them to look upon today as the threshold of a better tomorrow.

It follows then that the nation must care for its children as its own by throwing its all-protecting arms around them and conserving them against a waste of their strength, their health and their vitality. It is upon this broad ground that we should have a National Child Labor Law. To fail in this essential duty to the children subjects them to the avarice and greed of the employers in one State to the great disadvantage, the irreparable injury, of the employers of labor in another State. Justice therefore between the citizens of the various States also demands such a law.

A wide vision leads to the observation that all our social politico-economic organizations become in the end a universal, mutual-benevolent association, and society, as a result of its mutual responsibilities, exercises a tremendous influence in correcting and improving the

THE FLAG AND THE NATION

habits of the people. All philanthropic and benevolent associations conceived in the spirit of the sweetest fellowship develop finally into universal obligations through the forms of law. In the outset they are gratuitously extended as mutual favors; then they are granted and enforced as mutual rights. As illustrations of the resultants of this evolution we have the Widows' Pension Law, the Workmen's Compensation Acts, to equalize and adjust the burdens of life, giving to those who were dependent upon the injured the right to have what will save them from the sting of charity, and the municipality or the State from the burden which it should not bear.

But the individual unit of our citizenship may be the best, the very highest in the world, and his social relationship might be developed to a point of perfect equality and equal justice, humanly speaking, and yet our national life be as inert as that of China, and we ourselves become the easy, indeed the inviting prey of the greed of a nation of only one-tenth of our inherent power, simply because there is little or no organic life,—no national purpose; no national spirit; no national patriotism.

Under such conditions the flag that floats above us would signify precisely what that of China does today,—a great people individually, but nationally, an unorganized, helpless, defenseless mass,—a temptation to international ambition, and a provocation of international disorders.

Washington said:

“To be prepared for war is one of the most effective means of preserving peace.”

And again, in addressing Congress, December 3, 1793, he said:

“I cannot recommend to your notice measures for the fulfilment of our duty to the rest of the world without again

NATIONAL ISSUES OF 1916

pressing upon you the necessity of placing ourselves in a condition of complete defense. . . . There is a rank due to the United States among Nations which will be withheld, if not absolutely lost, by the reputation of weakness. If we desire to avoid insult, we must be able to repel it; if we desire to secure peace, one of the most powerful instruments of our rising prosperity, it must be known that we are at all times ready for war."

In 1787, Alexander Hamilton stated that:

"The rights of neutrality will only be respected when they are defended by an adequate power."

In 1822, James Monroe said:

"The history of the late wars in Europe furnishes a complete demonstration that no system of conduct, however correct in principle, can protect neutral powers from injury from any party; that a defenseless position and distinguished love of peace are the surest invitations to war; and that there is no way to avoid it, otherwise than by being always prepared and willing, for just cause, to meet it."

On March 29, 1910, when urging the importance of being ready for war, from the standpoint of financial preparedness, I used this language:

"We may cry peace, peace, and that is wise and well; but there will be no absolute guaranty of perpetual peace so long as the surface of this earth is the battle-ground of trade and commerce.

"This very afternoon the United States may be looking out on a clear and peaceful sky. Even so early as tomorrow morning, war clouds may curtain the rising sun, and before nightfall blacken the zenith of the heavens, and hang low and lowering the whole horizon round, presaging the most titanic and wicked struggle in blood that has ever stained the history of the human race.

"Under these circumstances let the United States put its financial house in order."

THE FLAG AND THE NATION

At Lake Mohonk on May 20, 1915, General Wood said:

“Nine out of ten wars are based on trade.”

For thousands of years the human family have been acting precisely as they are now acting in Mexico and on the Continent of Europe. Nor is there any twenty years since the dawn of time that is comparable with the twenty years now closing, in the extent of territory covered by warring people, in the property destroyed, in wealth wasted, in the interests involved, in the lives sacrificed.

Within these same twenty years, every important nation in the world has been engaged in at least one war; and Russia, Great Britain, Japan and Turkey have been involved in two wars each.

At no time in the history of the human race has a greater degree of cruelty, brutality and vandalism been exhibited than now.

Can we then wisely, safely, sanely act upon the theory that the millennium has come, that all national selfishness has been eradicated, and that all the human beings that now people this earth have suddenly and all at once become angels and archangels?

Shall we not show a greater degree of prudence and more certainly advance the cause of civilization by preserving our own, than to go disarmed and so invite its complete destruction?

The lamp of national experience, which for thousands of years has always been kept lighted by ever-recurring wars, is the only lamp by which our national pathway has yet been illumined. Shall it now be snuffed out? Shall it be broken into fragments? Shall it be utterly forgotten until we are driven out of our fool's paradise by the sword of some people that would absorb our markets and rule over our land to satisfy their commercial greed or gratify their imperial power?

Battle-fields are always the footprints of history, and

very often they have marked the progress of civilization.

Dreadful as war is, terrible as war is, horrible as war is, awful as war is, there are some things worse even than war. And one of the things that is worse than war is a contemptible, a dishonorable, an ignoble peace at any price. The War of the Revolution, the War of the Rebellion, great as was the sacrifice, precious as was the price, were worth more, incomparably more, infinitely more, than all they cost. The very best, the very richest part, the very soul of our American civilization, has been purchased at the price of war. And yet who would recall, if he could, a single deed of valor or of sacrifice? They are the richest heritage and the most glorious and all-inspiring force in the character building of this nation. Without these two great world-history making wars, we would have had no Father of his Country. We would have had no Washington, whose mighty character moved over and stirred the political deeps of all the nations of the earth. We would have had no Savior of this Republic. We would have had no Lincoln, whose immortal spirit fills the upper air, and will permeate all political thought to the end of time with his sense of right, justice and humanity.

But we will all hope for peace. We will all pray for peace. We will all work for international peace. And, if necessary, we will even fight for peace. In the meantime we will fervently invoke the Lord's Prayer in our international relations. "Our Father which art in Heaven, hallowed be Thy name, Thy Kingdom come, Thy will be done on earth as it is in Heaven."

But we have been invoking this prayer in our domestic affairs, and all the world has been invoking it in its affairs for two thousand years; and yet we all lock our doors at night and every well-regulated city has its police force and its criminal court. New York City alone has 11,000 policemen. A corresponding number

THE FLAG AND THE NATION

of international policemen would give us a standing army of 200,000 soldiers.

Have we standards of justice, conceptions of equal opportunity, and national ideals that should be preserved and handed down from generation to generation, then certainly we must take those precautions which are necessary to protect and preserve them.

The only guarantee that the true significance of the Stars and Stripes, the rich heritage of three hundred years of American civilization, will persist and prevail throughout the ages to come, will be the ever-present consciousness throughout all the world, that behind the good-will of this nation, back of its messages of peace, stands a united spiritualized nation of intelligent free-men, who know their purposes and their rights, and will be ever ready if need be to advance and maintain them.

All government has always been and always will be founded upon force so long as this planet is inhabited by human beings; at least by such human beings as now inhabit it.

There is a vast difference between a love of your own country and adequate preparedness to defend it, and a love of the country of another people and a well-designed preparation to invade, grab and absorb it.

There is a vast difference between preparation against war and preparation for war.

The problems of human life expressed in nationality are vast, incomprehensible, fathomless. Nations, like families and like individual men, have been born, felt the throbbings of youth, courted the ambitions of mature life, gloried in their martial, material, social and intellectual achievements, and then, becoming quiescent and decadent, have faded away and now only have a place in the dead past. Shall these events go on succeeding each other forever? If so, what new power shall assume authority over the decadent nation, or take its place

and occupy in its stead the land that once boasted the rule of a mighty people?

Can it now be said that no future war will be waged in the interest of international peace? Can anyone now say that no future war will be waged in the interest of civilization itself? Such was the Spanish-American War.

Will anyone now say that this American Continent should have remained forever in the possession of the Indian who never had made use of its vast, varied and almost limitless resources? Can anyone now say that the Japanese nation, which consists of 55,000,000 people, and increasing at the rate of more than a million a year, shall be confined within the narrow limits of 147,000 square miles of territory, poor in natural resources, an area smaller than California, and shall be confined forever within these narrow boundaries, though this island-nation of the far East is going forward commercially by leaps and bounds, has taken England in its naval supremacy as her own model, and has all the military spirit and ambition of Germany herself?

Is it possible that the greatest advancement and highest achievement of the human race in the coming time is to result from fixed limitations and the complete suppression of nationality, when throughout all recorded history the greatest gains, indeed all forward movements, have been achieved by nations during periods of national growth and expansion in both population and power?

Can the boundaries of every nation on the globe be now fixed for all eternity; or will fate decree change after change in the rise and fall of nations, precisely as the seasons follow each other and death succeeds life?

The great, the all-important problem, is to create and maintain a vital nationality,—a nationality founded upon mutual social well-being, intellectual energy and physical strength, a nationality inspired by moral courage and sanctified by a sense of equal justice. Anything short of these characteristics might better disappear

THE FLAG AND THE NATION

than to prevail and persist, for these qualities constitute the exalted ideals and avowed purposes of our twentieth-century civilization and are essential to the advancement of the human race.

But how shall this great Democratic Republic of ours successfully meet the ever-recurring problems springing out of a universally educated congested population living under modern conditions,—only by making every unit of our citizenship, every individual person, feel that he is identified with and has a stake in the government of the nation. Otherwise we shall reach the same defenseless and hopeless position of China today.

The cancerous growth of self-satisfaction, rest, repose and riotous living ate out the heart of Rome. Step by step as the personal interest in and the personal service to the state of the Roman citizen waned, true national preparedness disappeared and the end of her national existence gradually but certainly approached. For there can be no true national defense unless there be a national spirit, a national soul in which the individual citizen is merged and his identity lost. The continuance of the unity of all in a common ideal, in a common purpose, in a common destiny, is essential to the very life of the nation.

Whenever, through individual selfishness, a longing and personal desire for ease, or through a mad pursuit of material gains, the people come to place a price upon honor, virtue, duty, their obligations to each other, to society and to their country, national decay is certain to follow and the death of the nation is sure to supervene.

Rome was rendered gloriously splendid by her achievements in art and government, but at the very hour of her zenith of power, at the very culmination of her consciousness of world greatness, she was literally overwhelmed by her vast accumulation of riches which led to dissipation, degeneration and ultimately resulted in the complete disintegration of the organic state,—the

paralysis of the national spirit,—the utter extinction of the national soul.

The dissolution of that mighty nation began when she was compelled for the want of any national spirit to seek protection through a hired soldiery, for her mercenaries were a mere pretense of defense against the hordes of invading barbarians from the North.

At the very time that Rome thought that she could accomplish anything through the sheer power of riches, she was rotting at the core, just because of the corrupting influences of these very same riches.

The hot and not too scrupulous pursuit of the American dollar for its own sake, the inordinate greed seen on every hand, the complete satiety of physical desires and sensual pleasures, the disregard of human rights, the brutal use of corporate power, all combine to challenge the thoughtful student of history to analyze the causes that led to the degeneracy, decadence and death of the Roman nation.

Have we not in most recent times felt the overweening power, the oppression of wealth, the balancing of dollars, mere dollars and personal pleasure, against the priceless rights of men and women, citizens of this great nation, satisfied with the dishonorable, the contemptible, the ignoble conclusion that anything was better than war,—as though such a comparison could be instituted at all and we maintain our self-respect or hold even the decent regard of a single nation in the world?

Have we not already, in very recent times, discredited the just and heroic defense of the rights and lives of American citizens which are in every way as sacred in any foreign land or anywhere upon the seven seas as right here upon our own soil or even under the dome of the Capitol at Washington itself?

Do we not seem to have already forgotten that John Paul Jones electrified every American heart when, in the defense of the rights of American citizens on the high

THE FLAG AND THE NATION

seas, in the very grip of a death struggle, he gave the British commander his defiant answer: "I have not yet begun to fight."

Are there many, is there even one now living under our flag, who is capable of feeling the glorified thrill of those noble, those transfiguring impulses, that inspired Nathan Hale, with arms pinioned and facing certain and immediate death, to utter those immortal words: "My only regret is that I have only one life to lose for my country."

The children in our public schools must be taught that our government is just; that our country is one of equal privilege; and that to every man of character and courage, and to the women, too, the door of opportunity is always swinging inward, inviting them to equal opportunities, equal advantages and equal responsibilities in all the affairs, commercial, civic and social, of our national life.

Ample public playgrounds, I say ample public playgrounds, where every child, every child I say, can pass a natural, clean and wholesome childhood, will impress their young minds with the interest the State has in them, and put every one of them under a due, proper and everlasting obligation to the organic State that furnished it to them.

Every boy should have the experience and training that comes through a membership in such organizations as the Boy Scouts, an institution of transcendent usefulness in character-building and citizen-making by impressing the plastic mind of youth with the great and essential lessons of life,—self-help, physical culture and courage, consideration of others, duty and honor. Every school, college and university should inculcate the spirit of nationality by requiring some preparation to serve the nation.

Passing from such influences every young man in the United States who is physically able should be given

NATIONAL ISSUES OF 1916

the opportunity for voluntary service to his country, for voluntary service is character-building, and spend at least two months a year for at least three years, or three months a year for two years of his life before he is twenty-five years of age, in a military camp of the United States government, where he could become familiar with the duties of military service, and learn the very important lessons incident to a soldier's life. But I do not look upon his military equipment as of greater importance, though it prepares him for the defense of his country in case of necessity, than impressing upon him the fact that he has a country, and that he has and should serve it, not only by carrying arms if need be, but that he should serve it socially and politically as well. So great should the moral pressure be to compel such service that it would be considered an ineffaceable disgrace to be without this badge of honor,—this badge of royalty where the people rule.

During this camp life every man should be taught the civic duties, civic as well as military, of this great Republic, of which they are themselves the wearers of the sovereign crown of power.

Our greatest weakness as a nation will come from the failure of men to perform their duties as citizens, and this failure will grow out of a want of appreciation of their obligations to society and the want of intelligence and power to enforce them, because their stake in the government is too remote to command intense interest.

Intense interest in the affairs of the nation on the part of all the people of this Republic is essential to a vital nationality.

To create, to increase, to accentuate, to secure this essential degree of interest, every citizen must realize that this is indeed and in truth a government "of the people, by the people, for the people," and that it is not thoughtless of his interest; that it is not a futile government; that it is not an incompetent government; but

THE FLAG AND THE NATION

that it is indeed anxiously solicitous and most efficient in making it possible for him to be of the greatest value to himself, his family and his country, by bringing to him that opportunity that will call forth, in the highest degree, all his resources, moral, mental and physical. Let him realize that in developing his resources and those of his fellows the nation is developing its richest resource,—its only inexhaustible resource,—the mental power of the people in all its aptitudes.

Nor should the potential part played by the government stop with the individual citizen, but render the instrumentalities through which he must work out his destiny most helpful and efficient in his all-important task.

The Boards of Trade and Chambers of Commerce, to be of the greatest service to him at home and in promoting domestic and foreign commerce must be brought into harmonious and cooperative action under a national law and serve as a national clearing-house for American labor by bringing opportunities and the demands for employment together,—the national shibboleth being America for Americans, our work for our workers.

Because in the end upon the back of labor is bound the burden of meeting waste and paying the cost of inefficiency in whatever form they may be found, corporations whose stocks are held in several States or whose products are sold throughout the land, being national in their character, should have the opportunity at least of working under a national charter to save the friction, conflict, difficulties and cost incident to the demands of forty-eight different States; for whatever the loss it must be borne by toil,—it is a tax on labor.

A national policy whose sole purpose is to serve the citizen, to increase his earning power, to enlarge his sphere of usefulness, to conserve his resources, to save him harmless as far as possible from the wastes and

NATIONAL ISSUES OF 1916

burdens of inefficient government, must arouse in him an intense interest in the government of his country.

Such a country would be our country, our country, a country worthy of our love, devotion and sacrifice. Such love of country, such devotion and sacrifice, lead to a vital nationality.

Individual selfishness must be merged, must be sunk, must be literally lost, in the fellowship of the nation. The nation, the nation, the nation, let it be forever emblazoned across the face of the firmament in letters of living fire. The nation, the nation, the nation, will be the watchword of every loyal son of this Republic.

Exalted by such a purpose, ennobled by such an aspiration, inspired by such a love of country, our fathers, mothers and children of all the generations to come will be fit messengers to bear aloft the torch of ever-advancing civilization and to light the pathway of all the people of the earth.

Then let us hope in the coming time that equal opportunities will always greet all the children of this great Republic at the very threshold of life, and that the principle of cooperation will soon permeate all the business interests of the country; that the spirit of mutual welfare will soften and sweeten all of our relationships, and that all the judgments of our courts will be just.

From such conditions there must spring lofty ideals, a true and unalloyed love of country, a spirit of exalted patriotism, a willingness to sacrifice every material advantage, even life itself, for the perpetuity and glory of the nation; for the flag that typifies most in the upward and onward march of civilization,—the uplift and advancement of all mankind.

“Off with your hat as the flag goes by!

Uncover the youngster's head.

Teach him to hold it holy and high

For the sake of its sacred dead.

THE FLAG AND THE NATION

“Your flag and my flag, and how it flies today;
In your land and my land and half the world away;
Rose-red and blood-red its stripes forever gleam,
Snow-white and soul-white, the good forefathers’ dream;
Sky-blue and true-blue, with stars that gleam aright;
The gloried guidon of the day; a shelter thro’ the night.

“Your flag and my flag, and oh, how much it holds!
Your land and my land secure within its folds;
Your heart and my heart beat quicker at the sight;
Sun-kissed and wind-tossed, the red and blue and white;
The one flag, the great flag, the flag for me and you;
Glorified all else beneath, the red and white and blue.”

II

LINCOLN AND NATIONALITY¹

THERE are some few people in the country—at least there is one person—who are saying that business is looking up, and in a sense this is true. For business is so flat on its back that it can't look any other way than up.

In a similar sense the danger to the country is now so great, and the condition of millions of our fellow-citizens is so serious, that every patriotic man is compelled to think soberly of his country and most solicitously about his countrymen.

In what I shall say I hope I may be able to impart to you, in some slight degree at least, the deep and abiding conviction I feel that the true author, the real source of our ultimate nationality, the complete freedom and perfect independence of the American Citizen, is Abraham Lincoln.

ORIGIN OF THE NATION

When the Pilgrims touched Plymouth Rock on that bleak morning of December 21, 1620, a nation was conceived.

After one hundred and fifty years of travail, on the 4th of July, 1776, the cry of the new-born nation was first heard in the immortal Declaration of Independence.

¹This address was written for Lincoln's birthday, but, owing to the shortness of time and length of the address, was only delivered in part.

LINCOLN AND NATIONALITY

Through more than ten long, weary, wearing, wasting years of war, struggle, hunger, incomparable sacrifice and glorious achievement, the governmental garment of this nation was in the weaving and the making. In 1786 the rules for the conduct of the life of this nation, the Constitution which Gladstone said was "the most remarkable instrument ever struck off by man at a single point of time" took definite form and was ready to clothe the nation, which was still struggling with the trammels and environments of thirteen different State governments.

On the first Wednesday in March, 1789, these thirteen States merged their individual lives into the Being of the Nation to the full extent that was essential to the life and preservation of the perpetuity of the Union.

The Nation had been born and clothed with power to speak and act its part among the Nations, and in the great historical drama of the world.

THE MORE "PERFECT UNION" ESTABLISHED

The people of America had expressed themselves, not only in a spiritual living nationality, but in a perfectly unified, definite, concrete, constitutional government, through which their national aspirations and purposes were to be realized. The people of America had become the American people. The nationality of the people of America had become the American Nationality, because unified and independent of all the rest of the world.

And yet complete and perfect as the unification and independence of the American people then seemed to have been wrought out through persecution, sacrifice, noble impulse, aspiration, hope, exalted endeavor, and prophetic wisdom, both the union of the States and the liberty of the people were to be subjected to the severest tests that human greed could possibly devise.

NATIONAL ISSUES OF 1916

The discussion, the debate, upon the perpetuity of the Union as a constitutional question culminated in those inspiring, those immortal words of Daniel Webster: "Liberty and Union now and forever, one and inseparable." But the fatal controversy still went on and the Union was to be preserved only through the crucible of the great Civil War, under the guidance of that divinely appointed man, that divinely inspired man; that man now of all the ages; that man of all men, since the dawn of time, save only one, the Son of Man. That God-given man, that God-gifted man, was Abraham Lincoln.

May this Union, so saved and so divinely dedicated to the American people,—yes, let us hope so divinely dedicated to the whole human race,—endure to the end of time, that we as a nation may not only prove worthy of our political independence, but also illustrate in our citizenship that the very soul of independence is in the freedom of man. For freedom is the eternal right of man to be himself; to be his highest, his noblest, his most efficient, his very best, his truly happiest self. This can only be secured through the industrial independence of the nation and the complete cooperation of the whole people. Each citizen must be able to contribute the most his peculiar talents or abilities make possible to our national prosperity and our national life.

VISION OF THE FOUNDERS

The founders of this government clearly comprehended our mission as a nation, and realized with the keenest appreciation that our industrial independence was the counterpart of our political independence; indeed that it was the very soul of our national life, and the only sure road to true national glory.

They saw that it was necessary not only that we should be free from other nations politically, but independent

LINCOLN AND NATIONALITY

of them as well. This was borne in on our forefathers by the fact that England had decreed that we should not establish manufactures here; by "cutting off our trade with all parts of the world," and by taking from us all our gold and silver, through an adverse balance of trade which she carefully maintained by exchanging her manufactured products for our raw material. Being poor indeed, we had no power to overcome their policy. They determined that we should be "mere hewers of wood and drawers of water."

COMPLETE INDEPENDENCE

A nation may be politically free from all other nations and yet the people of that nation be industrially the slaves of the other nations.

Confronted with these facts and this one great fundamental truth, Washington, Hamilton, Franklin, Jefferson, Madison, Adams, Monroe, and that matchless coterie of men who surrounded them, proceeded immediately to construct an economic system for the newly born nation. Preparation for such a system had been made by the framers of the Constitution, who outlined their purpose in its preamble and the powers it conferred on Congress:

"We, the people of the United States, in order to form a more perfect union, establish justice, insure domestic tranquillity, provide for the common defense, promote the general welfare, and secure the blessings of liberty to ourselves and our posterity, do ordain and establish this Constitution for the United States of America."

And the power of Congress was conferred in Article 1, Section 8, of the Constitution, which provides:

"Congress shall have power to lay and collect taxes, duties, imposts and excises, to pay the debts and provide for the common defense and general welfare of the United States."

NATIONAL ISSUES OF 1916

The very first act passed by these wise and great men, who had been the controlling influence in framing the Constitution, in pursuance of the chief purpose of that Constitution, after providing for the manner of taking the oath of office, was a great Protective Tariff measure, which was prefaced with these words:

“Whereas, it is necessary for the support of the government, the discharge of the debts of the United States, and the encouragement and protection of manufactures, that duties be laid upon goods, wares and merchandise imported; now therefore, be it enacted,” etc.

It is a matter worthy of note, that as if glorifying in this act of industrial freedom, Washington signed it on the fourth day of July, 1789.

MERCHANT MARINE ESTABLISHED

They then immediately proceeded to pass a law of differential duties and harbor charges to insure beyond all possible doubt the establishment of a Merchant Marine. And they did their work so remarkably well that we were soon carrying more than ninety-three per cent of all our imports and exports. The American flag covered the seven seas, and was known and respected in every trading port on this globe. Buyers of ships came from all quarters of the earth, because the American ship was a vastly better built and swifter vessel than they could obtain elsewhere.

AMERICAN BANKING SYSTEM ESTABLISHED

To crown all, in 1791, they established a banking system that was so good that Parton, the historian, says:

“The notes of the United States Banks were as good as gold in every part of the country. From Maine to Georgia, from

LINCOLN AND NATIONALITY

Georgia to Astoria, a man could travel and pass these notes at every point without discount. Nay, in Sweden, Paris, Rome, Cairo, Calcutta, St. Petersburg the notes of the Bank of the United States were worth a fraction more or less than their value at home, according to the rate of exchange."

This bank was founded upon the eternal and essential principles of the soundest, most efficient and most economical banking system in the world, which were laid down by Alexander Hamilton in these words:

"Every loan which a bank makes is, in its first shape, a credit given to the borrower on its books, the amount of which it stands ready to pay, either in its own notes or in gold or silver at his option."

BASIS OF PROSPERITY ESTABLISHED

With manufactures flourishing on every hand, with a Merchant Marine the envy of the world, and a banking system challenging any on the globe for the soundness of its principles and the efficiency of its operation, the Democratic Party made its malevolent appearance in the history of this Republic.

ORIGIN OF FREE TRADE

The dominating influence in the Democratic Party at that time was that of the Southern States. The products of these Southern States were chiefly cotton and tobacco, which needed no protection, and their labor was all slave labor. Their politicians clearly foresaw that the Protective policy would develop industries in the North, and greatly increase the wealth and population of the Northern section to the political disadvan-

NATIONAL ISSUES OF 1916

tage of the South, because it would ultimately mean the end of slavery.

FIRST FREE TRADE EXPERIENCE

By 1816 the organized Democratic Party, imbued with this thought, soon developed those policies which from that day until this very hour have been the scourge and curse of this nation. The tariff of 1816 brought in its wake business stagnation and commercial disaster so complete that even Jackson, the second god in the Democratic firmament, was led to say in 1824:

“It is time we should become a little more Americanized, and instead of feeding the paupers and laborers of England feed our own, or else in a short time by continuing our present policy we should all be rendered paupers ourselves.”

SECOND PROTECTIVE TARIFF ACT

To save the day commercially and protect the Treasury from bankruptcy, a Protective Tariff Act was passed in 1824. Our industries revived instantaneously, and prosperity again smiled upon the whole land.

SECOND FREE TRADE VENTURE

Again in 1832, fear, jealousy and inordinate greed led to another attack upon the true source of our prosperity. By 1837, destruction and desolation had again swept over the land, and the hardships and suffering of our people were such as we had not endured since the adoption of the Constitution. Property was not worth ten cents on the dollar. Cattle were sold for twelve

LINCOLN AND NATIONALITY

cents apiece, and a drove of twenty-four hogs went for twenty-five cents. Those were good old Democratic days.

THIRD PROTECTIVE TARIFF ACT

Again the deplorable, the desperate condition of the country and the extremities of the Treasury, made the restoration of the Protective Tariff Act absolutely necessary to stem the tide of overwhelming poverty. Hardly was the printer's ink dry upon the Protective Tariff Act of 1842, than the country broke into another period of prosperity, and but for the mad purpose of the South, of which it was now completely obsessed, there would have been no change.

THIRD FREE TRADE EXPERIMENT

But the sacred institution of slavery must be preserved at whatever cost, and therefore its natural enemy, the Protective Tariff, must be destroyed. The result was the Walker Free Trade Tariff Bill of 1846, and the sequel was the panic of 1857.

For three days, July 25, 27 and 28, 1846, Daniel Webster spoke against the passage of the Walker Bill, protesting and prophesying what would happen to the country as a result of its operation. Among other things he said, "It is not a bill for employment. . . . It is a bill for taking away the means of living from labor everywhere throughout the land." . . .

"The interest of every laboring community requires diversity of occupations, pursuits and objects of industry; the more that diversity is multiplied, even extended, the better. To diversify employment is to increase employment and to enhance wages.

"And, sir, take this great truth; place it on the title-page of every book of political economy intended for the use of the

NATIONAL ISSUES OF 1916

United States; put it in every farmer's almanac; let it be the heading of the column of every mechanic's magazine; proclaim it everywhere, and make it a proverb, that where there is work for the hands of men there will be work for their teeth. Where there is employment there will be bread. It is a great blessing to the poor to have cheap food, but greater than that, prior to that, and of still higher value, is the blessing of being able to buy food by honest and respectable employment. Employment feeds and clothes and instructs. Employment gives health, sobriety and morals. Constant employment and well-paid labor, produces, in a country like ours, general prosperity, content and cheerfulness."

The *New York Tribune*, then as now a great protectionist paper, said:

"We fear that thousands upon thousands who would have been steadily employed and comfortably situated, if this bill had not passed, will now be destitute of employment and dependent upon charity for bread."

It is true that precisely as the dire disasters, the deadly destruction of the Underwood Tariff Bill have been temporarily interrupted by the present European War, so the sad fate that awaited the American people as the direct and inevitable result of the passage of the Walker Tariff Bill of 1846 was postponed for a time by a most extraordinary succession of great historical events occurring within the succeeding eight years.

If this European War should continue for any length of time we again will be ambushed by a false-faced condition of seeming prosperity purely the result of war orders that will only accentuate the terrific calamity that is sure to come upon us.

Let us be not deceived. Then hear me while I recall and note those great historical events and be forewarned before it is too late to save ourselves from a havoc whose effects may prove as serious and sad as a wasting war itself.

LINCOLN AND NATIONALITY

First: Came the War with Mexico in 1848, calling for many things that otherwise would never have been wanted—arms, munitions of war and food-supplies.

Second: Gold was discovered in California in 1849, and a great increase in the demand for supplies developed, and at the same time many people started out on the hunt for gold, and in that way and to that extent enhanced the power of production, and correspondingly increased prices.

Third: The famine in Ireland followed, calling for every pound of surplus grain, flour, potatoes, and greatly increased the demand for many other things, all at good prices, most of the money going to the agricultural population.

Fourth: From 1848 to 1851 revolutions broke out in many European countries, disturbing normal conditions, destroying property and paralyzing their industries. Their misfortunes furnished us our opportunity. There was a greatly increased demand for everything, but more particularly agricultural products. Prices were high and vast sums were distributed throughout the United States that otherwise would not have found their way here.

Fifth: On top of all these adventitious and advantageous circumstances came the Crimean War, still further protracting the day of judgment against the "Walker Bill" that had stolen the appearance of success on purely abnormal circumstances.

But just as soon as these extraordinary events had spent their force, and their influences had ceased to call for an unusual and abnormal amount of productions of all kinds, which had given to this country a hectic blush of prosperity, the deadly disease of a non-protective tariff law immediately showed itself and led the American people unerringly and with the certainty of predestined faith to the destruction and utter annihilation of all our industries, and such a universal and com-

plete prostration of the country as we had not before suffered even in 1837.

During the last four years of Democratic rule there was a deficit in the national treasury of \$77,000,000, and the government was borrowing money at rates as high as twelve per cent to pay its running expenses.

James Buchanan, the last Democratic President prior to the War, described those direful days in these words:

“With unsurpassed plenty in all the productions and all the elements of natural wealth our manufactures have suspended; our public works are retarded; our private enterprises of different kinds are abandoned; and thousands of useful laborers are thrown out of employment and reduced to want. We have possessed all the elements of material wealth in rich abundance, and yet, notwithstanding all of these advantages, our country, in its monetary interests, is in a deplorable condition.”

With our country commercially and industrially completely prostrated and paralyzed as a result of Democratic Free Trade, with our government credit on a ten per cent basis, as a result of Democratic rule, with every scrap of gold and silver taken from the Treasury and sent to the South, with our forts dismantled, and with our Navy scattered to the remotest parts of the earth by the Democratic administration, the government came into the hands of the Republican Party.

CONFEDERACY FORMED

Not satisfied with the ruin it had wrought, the dominant and controlling wing of the Democratic Party seceded and formed the Confederacy in the interest of slavery and free trade; for the Declaration of Mississippi on seceding, undoubtedly written by Jefferson Davis, contained these words:

LINCOLN AND NATIONALITY

“Our position is thoroughly identified with the institution of slavery, the greatest material interest in the world.”

To complete the declaration of the purpose and object of these Democrats in their attempt to establish the Confederacy, we must go to the Constitution adopted by them, which made few other changes, but contained this drastic prohibition of all Protective Tariff Laws:

“No bounty shall be granted from the Treasury and no duties or taxes on importations from foreign nations shall be laid, to promote or foster any branch of industry.”

This is the first time and the only place in American history where you can find a *constitutional* provision that justifies the declaration that a “Protective Tariff is Unconstitutional”; for the chief reason for the adoption of the Federal Constitution was to set this nation industrially free, to make it industrially independent, as it was already politically independent.

In harmony with the spirit and purpose of the Constitution of 1789, the Protective Tariff Laws of 1789, 1824 and 1842 had been passed.

FIRST REPUBLICAN PROTECTIVE TARIFF PLATFORM DECLARATION

In harmony with the spirit and purpose of the Constitution of 1789, the Republican Party adopted this Protective Tariff Plank in 1860:

“That while providing revenue for the purpose of the general government by duties upon imports, sound policy requires such an adjustment of these imports as to encourage the development of the industrial interests of the whole country; and we commend that policy of national exchange which secures to the working-man liberal wages, to agriculture remunerative prices, to mechanics and manufacturers an adequate reward for their skill, labor and enterprise, and to the nation commercial prosperity and independence.”

NATIONAL ISSUES OF 1916

Mark that word independence. It could not have meant political independence, for this we had had since 1783, but industrial independence, the freedom of the American citizen from the conditions of industrial slavery, in consequence of the inadequate wages, the slave wages of Europe.

In harmony with the spirit and purpose of this Constitutional provision, the first Republican Protective Tariff Law, the Morrill Act, was passed in 1861.

EFFECT OF THE MORRILL PROTECTIVE TARIFF ACT

Mark its marvelous influence, its stupendous effect upon this country, for the following thirty years.

Nearly 3,000,000 soldiers and sailors went to the war from the Northern States and the cost of the war exceeded \$3,000,000,000. From 1861 to 1892 the Protective Tariff did for the United States what no nation up to that time had achieved in the history of the human race.

Our population increased from 32,000,000 to 65,000,000; our wealth from \$16,000,000,000 to \$65,000,000,000; the entire war debt, which amounted to more than \$3,200,000,000, was reduced to \$835,000,000; we resumed specie payments and accumulated \$664,000,000 in gold.

Beginning with 1866, the year following the close of the war, down to 1894, for every single year during these twenty-eight years there was a surplus revenue in the United States Treasury.

WE ATTRACT THE ATTENTION OF THE WORLD

Our success had been so striking; our achievements had been so marvelous; our advance had been so stupendous in all that goes to make up the material welfare of the people, that we attracted the admiration and excited the envy of all the nations of the earth.

LINCOLN AND NATIONALITY

Indicating the impressive conviction, the settled opinion of the leading nation-builders, the greatest constructive statesman of modern times, Prince Bismarck, used this significant language:

“The success [under protection] of the United States in material development is the most illustrious of modern times. The American nation has not only successfully borne and suppressed the most gigantic and expensive war of all history, but immediately afterward disbanded its army, found work for all its soldiers and marines, paid off most of its debt, given labor and homes to all the unemployed of Europe as fast as they could arrive within its territory, and has done all this by a system of taxation so indirect as not to be perceived, much less felt.

“Because it is my deliberate judgment that the prosperity of America is mainly due to its system of protective laws, I urge that Germany has now reached the point where it is necessary to imitate the tariff system of the United States.”

So completely convinced was every civilized country in the world of the wisdom of our Protective Tariff policy, that every one of them of any political or commercial consequence followed our course and adopted the Protective Tariff principle, except England alone. She had already become the workshop of the world. Her chief product was manufactures, and she had such a vast surplus of capital and such a tremendous income from her investments scattered all over the globe,—approximating \$2,000,000,000 annually—that she could sell her goods on such long-time credit and at such low rates of interest as to hold her established market for the time being at least.

CLEVELAND'S ELECTION

Immediately following the election of Grover Cleveland, on December 5, 1892, President Harrison, in his last annual message to Congress, said:

NATIONAL ISSUES OF 1916

“I have great satisfaction in being able to say that the general conditions affecting the commercial and industrial interests of the United States are in the highest degree favorable. A comparison of existing conditions with those of the most favored period in the history of the country will, I believe, show that so high a degree of prosperity and so general a diffusion of the comforts of life were never enjoyed by our people.

“There never has been a time in our history when work was so abundant, or when wages were so high, whether measured by the currency in which they are paid, or by their power to supply the necessaries and comforts of life. I believe that the Protective System, which for something more than twenty years has continuously prevailed in our legislation, has been a mighty instrument for the development of our national wealth, and a most powerful agent in protecting the homes of our workingmen from the invasion of want.”

DEMOCRATIC FREE TRADE ACT PASSED, 1893

Prosperous as was the country in 1892, how tragically quick, how tragically great, was the change that followed the passage of the Free Trade Act of 1893.

The deficit in the Treasury July 1, 1894, the very first year after the passage of that fatal free-trade measure, and the first deficit in twenty-nine years, was \$69,803,000; in 1895 the deficit was \$42,805,000; in 1896 the deficit was \$25,203,000; and in 1897, the last year of its operation, the deficit was \$18,052,000, or a total deficit of \$155,000,000 during this period of Democratic rule. This huge deficit was met by a sale of bonds aggregating \$162,000,000.

A deadly blight had fallen upon this goodly land. The sun of prosperity was no longer shining in the commercial heavens. Dense fogs of doubt drove confidence thitherward, and black night settled down upon us, shutting out every ray of hope. Men groped about in the thick darkness of the overwhelming depression,

LINCOLN AND NATIONALITY

occupied only with their thoughts and wondering how they could possibly have been led into such stupendous folly on election day, and swearing, "Never again! Never again!" "The Democrats are through forever." This sounds like last night's dream. Dream, did I say? It sounds like every threat, every curse, we have been hearing today, and heard yesterday, and have heard every day since the Underwood Tariff Law went upon the statute-books. A chorus of curses on the Democratic Party.

HISTORY REPEATING ITSELF

History is only repeating itself. In his last annual message Grover Cleveland, who was above all else an honest man, wrote the true story of his own administration in these few words when he said:

"At this time when a depleted public Treasury confronts us, when many of our people are engaged in a hard struggle for the necessaries of life, and when enforced economy is pressing upon the great mass of our countrymen, I desire to urge with all the earnestness at my command, that Congressional legislation be so limited by strict economy as to exhibit an appreciation of the condition of the Treasury and sympathy with the straitened circumstances of our fellow-citizens."

It is a source of profound gratification and of some slight satisfaction to know that if we must have one Democratic President every twenty years, he is at least a frank, straightforward, sincere and honest man, that he can and will look facts squarely in the face and see things as they actually are and not upside down.

Grover Cleveland's statement was confirmed by United States Senator David B. Hill of New York, one of the leading Democrats of his day, who said:

"The past savings of our skilled workmen are drawn down. They think themselves lucky to get half-time employment

NATIONAL ISSUES OF 1916

in these dark days. The less skilful laborers by the hundred thousands are suffering hunger, willing, but unable, to earn their daily bread. It is heartbreaking as a pestilence."

August 13th, 1894, the *New York World*, a leading Democratic newspaper, bore the striking head-lines, with the comment following:

"*A Summer of Suffering.* From day to day the *World* has been telling of cases of starvation in this city. There is another index of it,—the line in front of Fleischmann's bakery, just below Grace Church on Broadway; every night at midnight the proprietor gives the bread left from yesterday's baking to all who ask. Three hours earlier the line begins to form. These poor wretches are willing to wait hours to get their food five minutes earlier. Some nights the line is two blocks long."

How many stories like this have we all been reading day after day during the past two months? And how accurately do they describe just what we are now seeing.

WOODROW WILSON ON CLEVELAND'S ADMINISTRATION

Woodrow Wilson, historian, had a far more accurate knowledge of what occurred during Cleveland's administration than Woodrow Wilson, President, pretends to have of what is now occurring daily, for in his history he says of the Cleveland Free Trade period:

"Men of the poorer sort were idle everywhere and filled with a sort of despair. All the large cities and manufacturing towns teemed with unemployed workingmen who were with the utmost difficulty kept from starving by a systematic effort of organized charity. In many cities public works were undertaken upon an extensive scale to give them employment. In the spring of 1894 'armies of unemployed' began to gather in the Western country for the purpose of marching upon Washington like mendicant hosts, to make known to the government itself, face to face, the wants of the people.

LINCOLN AND NATIONALITY

“Not until the year 1897, when the new Republican administration came in, did the crisis seem to be passed.”

Such a crisis will pass again when the next Republican administration comes into power in 1917.

Samuel Gompers then estimated that there were at least 3,000,000 unemployed men in the country.

Tell me, could anybody portray more accurately and graphically the conditions as they exist today than by printing in the public press these statements of the leading Democratic authorities of the country: Cleveland, Hill, the *New York World* and Woodrow Wilson?

MCKINLEY'S ELECTION

But in the very midst of this desolation, precisely as Woodrow Wilson, historian, had said, the change came almost as by magic when that “Advance Agent of Prosperity,” that great apostle of the Protective Tariff principle, that President of Presidents, William McKinley, was elected President of these United States.

The sixteen years spanning the period from the fourth day of March, 1897, when McKinley took his seat, and the fourth day of March, 1913, when Wilson took his seat, surpass in their progress in human welfare and in their achievements in national advance, any sixteen years in the history of the human race. The imagination itself is outstripped by the material growth during this golden age in the onward march of the American people.

From 1896 to 1912 the material achievements of the United States are without a parallel in the world's history.

Our population rose from	70,000,000 to	97,000,000
Per capita individual		
wealth went from . . .	\$1,000 to	\$1,400

NATIONAL ISSUES OF 1916

Number of savings accounts from	5,000,000 to	10,700,000
Amount of savings increased from	\$1,900,000,000 to	\$4,500,000,000
Our wealth increased from	\$77,000,000,000 to	\$140,000,000,000
Our bank resources increased from	\$9,500,000,000 to	\$25,000,000,000
Our clearings went from	\$50,000,000,000 to	\$173,000,000,000
Our accumulation of gold, amounting to \$664,000,000 in 1892, but reduced by the Democratic administration to \$559,000,000, rose during these sixteen years	to	\$1,880,000,000

There is nothing in the life of any nation comparable to the achievements of these sixteen years of Republican rule, except its forerunner under the Morrill Tariff Law from 1861 down to 1892.

In the presence of these vast, matchless, almost incomprehensible figures, Woodrow Wilson had the hardihood to say, on January 29, 1914, at Washington: "Enterprise has been checked in this country for almost twenty years."

That is, he would, if he could, make the country believe that enterprise had been crushed ever since we relegated the Cleveland administration to the limbo of painful and unpleasant memory. Could a more astounding remark be made by any sane man? Does not every student of economics and history know that enterprise was outrunning both capital and credit at every step from 1897 to 1912?

DEMOCRATIC PLATFORMS OF 1892 AND 1912

The tariff plank of the Democratic platform of 1912 was identical with that of its tariff plank of 1892, and

LINCOLN AND NATIONALITY

both of them found their authority in the Confederate Constitution of 1861, which I have already quoted, and which reads:

“No bounty shall be granted from the Treasury and no duties or taxes on importations from foreign nations shall be laid, to promote or foster any branch of industry.”

Recalling the causes that led to the adoption of the Constitution in 1789 and keeping the tragic conditions of the country steadily in view, we can appreciate the interpretation and construction of the Constitution by the men who made it, and put it into operation,—Washington, Hamilton, Jefferson, Adams and Madison.

Washington, in his first annual message, speaking of us as a “free people,” said:

“Their safety and interest require that they promote such manufactures as to render them independent of others for essentials, particularly military supplies.”

As a result of seven years' experience with our first protective measure, Washington, in his seventh annual message, described the conditions of the country as follows:

“Our agriculture, commerce and manufactures prosper beyond example. Every part of the Union displays indications of rapid and various improvement, and with burdens so light as scarcely to be perceived. Is it too much to say that our country exhibits a spectacle of material happiness never surpassed, if ever before equaled?”

John Adams, our second President, after twelve years of experience with the Protective Tariff, in his last annual message, referring to our economic system, said:

“I observe with much satisfaction, that the production of the revenue during the present year has been more considerable than during any former period.

“The result affords conclusive evidence of the great resources

NATIONAL ISSUES OF 1916

of the country and of the wisdom and efficiency of the measures which have been adopted by Congress for the protection of commerce and the preservation of the public credit."

Thomas Jefferson, our third President, in his second annual message, in pointing out landmarks for our guidance used these words:

"To protect the manufactures adapted to our circumstances."

In his sixth annual message Jefferson puts this inquiry:

"Shall we suppress the imports and give the advantage to foreign over domestic manufactures?"

Again, Jefferson wrote:

"The general inquiry now is, shall we make our own comforts or go without them at the will of a foreign nation? He therefore who is now against domestic manufactures must be for reducing us either to a dependence upon that nation, or to be clothed in skins and live like beasts in caves and dens. I am proud to say I am not one of them. Experience has taught me that manufactures are now as necessary to our independence as to our comfort. The prohibiting duties we lay on all articles of foreign manufacture which prudence requires us to establish at home, with the patriotic determination of every good citizen to use no foreign article which can be made within ourselves, without regard to difference of price, secures us against a relapse into foreign dependence."

In his letter to Humphrey in 1809 he wrote:

"My own idea is that we should encourage home manufactures to the extent of our own consumption of everything of which we raise the raw materials."

In 1817, in accepting an election to membership in a society for the encouragement of domestic manufactures, Jefferson wrote:

"The history of the last twenty years has been a significant lesson for us all to depend for necessaries on ourselves alone."

LINCOLN AND NATIONALITY

James Madison, our fourth President, and recognized as the Father of the Constitution, in a special message to Congress, May 23, 1809, says:

“It will be worthy of the just and provident care of Congress to make such further alterations in the laws as will more especially protect and foster the several branches of manufacture which have been recently instituted or extended to the laudable exertions of our citizens.”

Again, in a special message, February 20, 1815, Mr. Madison said:

“But there is no subject that can enter with greater force and merit into the deliberations of Congress than a consideration of the need to preserve and promote the manufactures which have sprung into existence and obtained an unparalleled maturity throughout the United States during the period of the European wars. This source of national independence and wealth I anxiously recommend therefore to the prompt and constant guardianship of Congress.”

Hamilton was Secretary of the Treasury and may well be considered the founder of our economic system, the power of whose great intellect was best reflected by his Report on Manufactures.

Undoubtedly the preamble to the first legislative act passed by Congress, purely an economic measure which provided revenues for the government and protection for our industries and merchant marine, was written by Alexander Hamilton. It reads as follows:

“WHEREAS it is necessary for the support of the Government the discharge of the debts of the United States, and the encouragement and protection of manufactures, that duties be laid upon goods, wares and merchandise imported; now therefore be it enacted,” (etc.)

In the light of this overwhelming array of evidence of what the founders of the Constitution construed it specifically to mean with regard to the principle of pro-

NATIONAL ISSUES OF 1916

tection it is incomprehensible that any body of men, even the Democratic Party, would have the effrontery to challenge the intelligence and patriotism of the American people by declaring that to impose a duty on imported productions and manufactures for the purpose of "encouraging and protecting" them was unconstitutional.

For my own part, I would give more for the interpretation of the Constitution by Washington, Hamilton, Jefferson and Madison, than the interpretation of that instrument by all the Democrats that have ever lived or ever will breathe the breath of life. Up to the present time they have not been able to distinguish between the Federal and Confederate Constitutions.

How the people of the Southern States, as intelligent and brave a people as can be found anywhere on this globe and living in the midst of natural resources unmatched in variety and abundance, can continue completely obsessed with a theory that prevents them from enjoying the incomparable advantages of a complete diversity of agricultural and manufacturing industries side by side throughout their country, each supporting the other, is the most incomprehensible fact in our current history.

If you study and analyze the question closely you will discover three influences or facts that are responsible for the prevalence of this old free-trade idea,—tradition, sectional prejudice and the race question.

The greatest possibilities of the South and its best interests from every point of view are more completely identified with the policy of the protective principle than any other section of the United States. The young men of the South should take a long look ahead and should try to forget those things that are blinding their vision and seriously interfering with the general welfare of the whole "Sunny Southland."

Following this prohibition in the Confederate Constitu-

LINCOLN AND NATIONALITY

tion the tariff plank of the Democratic platform of 1912 declared as follows:

“We declare it to be a fundamental principle of the Democratic party that the federal government has no constitutional power to impose and collect tariff duties except for the purpose or revenue only.”

Certainly no authority for this plank, declaring a Protective Tariff unconstitutional, could be found in that provision of the Federal Constitution which was construed by the founders of the government themselves, as their unquestioned authority for the very first legislative act passed by them, indicating that “the encouragement and protection of manufactures,” which would secure to them industrial independence, was the chief reason for the adoption of the Constitution; for they already enjoyed political freedom. But, as I remarked, a people may be politically independent, and yet be industrially dependent,—industrially the slaves of other countries.

CONDITION OF PEOPLE FROM 1783 TO 1789

This was precisely the position of the American people after the third day of September, 1783, when England by treaty acknowledged the United States to be “free, sovereign and independent,” down to the adoption of the Federal Constitution on the first Wednesday of March in 1789. For if there is a most pitiable, a most utterly miserable period of six years in the whole life of the American people, it was just those particular years from 1783 to 1789, when we were politically independent, but industrially dependent on the rest of the world.

SWORN DUTY AND PURPOSE OF THE DEMOCRATIC PARTY

The Democratic Party came into power sworn to destroy the principle of the Protective Tariff, root and

NATIONAL ISSUES OF 1916

branch, and therefore the Wilson-Underwood Bill is only the first act in the tragic drama.

WHAT HAPPENED BEFORE THE EUROPEAN WAR

The excess of exports over imports for the four years preceding the effective operation of this destructive measure was as follows:

1910.....	\$303,000,000
1911.....	506,000,000
1912.....	581,000,000
1913.....	691,000,000

Making a total balance of trade in our favor in four years of \$1,881,000,000.

The Underwood Tariff Bill was passed on October 3, 1913, and therefore could not begin its effective, its deadly work until about January 1, 1914. With what certainty it began to accomplish its predestined end can be seen from the effect upon our balance of trade down to the beginning of the war, August 1, 1914.

The balance of trade in our favor for the first seven months of 1913 was \$339,000,000, and for the same months in 1914 only \$60,000,000; at the same rate the year would have ended in an adverse balance of trade approximating \$50,000,000, though the balance in our favor in 1913 had been \$691,000,000.

REPUBLICAN SURPLUS VERSUS DEMOCRATIC DEFICIT

Now mark this also, and note it well, that during the four years preceding January 1, 1914, when this whirlpool of disaster began to do its deadly work, the surplus revenues of the government had been as follows:

LINCOLN AND NATIONALITY

1910.....	\$15,000,000
1911.....	47,000,000
1912.....	37,000,000
1913.....	41,000,000

making a total surplus in four years of \$140,000,000, an annual average surplus in our revenues of \$35,000,000.

This high level of averages had been maintained without the income tax, to which this administration resorted to cover its shortcomings. But even that has failed, and the American people have been asked to chip in \$100,000,000 more in stamp duties, to save the Treasury from disaster and the government from dishonor; while still another \$100,000,000 will be needed to cover the losses in our revenues this year. A sale of bonds is sure to come. Senator Williams of Mississippi, I think it was who in referring to the tariff bill said it is only the first, only a single step in the right direction. My God! where would this country have landed if they had taken a morning walk in the same direction? Let the people understand the ultimate purpose and final determination of the Democratic Party once and for all. It was graphically and accurately stated by Speaker Clark, when he said, "If I had my way about it I would tear down every Custom House from turret to foundation stone."

This is an old, old story,—nothing new, just as certain as night follows the day. Remember 1823, 1837, 1857, 1893 and now 1915, whose story when written will cast a still blacker shadow on all the previous free-trade periods because of the conditions preceding it and the dire consequences following it.

Only a little while ago the Honorable John J. Fitzgerald, Democratic Chairman of the appropriations Committee, used this language:

"In a few months I shall be called upon, in the discharge of my official duties, to review the record that this Democratic

NATIONAL ISSUES OF 1916

House shall have made in its discharge of the expenditures of the public money. Whenever I think of the horrible mess¹ I shall be called upon to present to the country in behalf of the Democratic Party I am tempted to quit my place."

EFFECT OF EUROPEAN WAR

The war is their temporary refuge and sure defense; for it is calling for unheard-of exports and giving American industries in certain lines, which would otherwise have been completely destroyed, something to do temporarily. When those extraordinary circumstances have passed away, the fell consequences of the Wilson administration with all their accumulated force will come upon the land; and hardly one stone will be left upon another in our industrial structure. For all the European nations will return to their factories too poor to buy much from themselves for daily consumption, and even less from us, except raw material.

¹ At the close of the session on March 4th, he described "the horrible mess," and added these very complimentary remarks about the President: "The estimates submitted by the Administration prove that the fault is not primarily with Congress. The Executive has been more reckless and improvident than Congress with less excuse. In this session the appropriations have been \$47,841,025.63 less than asked by the Administration. In the last session they were \$36,563,638.47 less. If Congress at both sessions had approximated all that the Administration recommended the huge total of appropriations would be \$84,404,663.10 greater still. It is the Executive who is primarily at fault. It ought to be vastly easier for the President and Cabinet, a small executive body exempt from the dangers of logrolling, to survey the whole field, calculate the revenues and cut the estimates to correspond. But they have been wholly recreant to that duty. With the evidence of falling revenues plainly before them they have not hesitated to demand increased expenditures, and instead of obeying the law and guiding Congress to obvious and imperative economies Congress has been obliged to restrain and prune their reckless estimates. As long as the Executive shows no appreciation of his responsibility in advising how to make the two ends meet, Congress, with its large membership and diversity of interests, can hardly be expected to assume the entire responsibility and practise self-denial."

LINCOLN AND NATIONALITY

To make up for lost time every wheel will be turned day and night and we will be the dumping-ground of the products of their enforced poverty.

Let us now note and not forget three fatal facts, if we would save ourselves from a complete undoing, from utter ruin after the last gun has been fired, after the treaty of peace has been signed. First,—That the countries of Europe now at war will be too poor to maintain armies of any size. Second,—That ninety per cent of all manufactured goods are now produced by automatic machinery and that cripples and women can watch a machine turn out its regular hourly quota just as well as an Apollo, a Hercules or an Edison. Third,—That the flood-gates of trade and commerce are now all down between these European countries and the United States, the natural destination, practically the only destination, of the products of 300,000,000 people in Europe. Are we ready to receive all their output, that is the question. What effect will this inundation of goods have upon American industries, the American workingman, the American home, American civilization, that is the question.

WHAT WILSON THINKS HE SEES

More extraordinary taxes will be imposed or the national debt will be greatly increased to make up for losses and deficits in the Treasury growing out of the extravagance, waste and folly of the most impractical and chimerical Administration that has ever held the reins of the government. Woodrow Wilson is living in a world of mirages. His steady, sole and only diet must be dreams, dreams, nothing but dreams; his sole and only drink must be moonshine; for he sees nothing as it really is. He sees everything upside down, if he sees anything at all. Some things he does not see at all, and he sees some things that do not exist at all.

NATIONAL ISSUES OF 1916

Out on the vast desert of waste and want, which he has himself created, he sees cool, fresh-water lakes embroidered with fruits and flowers, and along their never-ending shores innumerable well-stored hostelrys, where all the world is invited to an everlasting feast at the expense of his countrymen. This is the "New Freedom"!

With a wave of his wand of power, the magic wand of political appointment, he invites Congress, both House and Senate, to gaze into the crystal where he feeds his own fancy, and asks them if they do not behold the things he describes from time to time,—his tariff bill, his banking bill, his ship-purchase bill,—and they all, with one accord, see identically the same things he says he sees. This he calls "Common Council."

He sees that enterprise has been checked in this country almost twenty years during a revolutionary progress without a parallel in the history of the world.

He sees the Republican Party without a new idea in thirty years, though the legislative achievements of those thirty years mark every step of advancement in the march of human welfare, from the old régime through the transition period, to the new time.

And what a proud, what a glorious record these achievements make! The Interstate Commerce Act; the Sherman Anti-Trust Law; the Anti-Rebate Law; the Gold-Standard Act; the Bureau of Commerce and Labor; the Pure Food Law; the Safety-Appliance Law; the Postal Savings-Bank Law; the Parcels Post Law; the Physical Valuation of Railroads; the Employers' Liability Law; the Hours of Service Law to Protect Railroad Employees; the Compensation Law for the Protection of Government Employees; the Child Labor Law for the District of Columbia; the Children's Bureau; the Law Providing for the Publicity of Campaign Funds; the Eight-Hour Labor Law for Government Employees in Government Contracts; the Law Providing for the Report of Railroad Accidents; the Bureau of Mines;

LINCOLN AND NATIONALITY

and the Constitutional Amendments for an Income Tax and for the popular Election of United States Senators.

President Wilson says that he sees that we are "on the eve of a new era of enterprise and prosperity." Yes, on the eve, but we shall have the night before we have the morning. The night will last until Election Day in November, 1916, and the dawn will last until March 4, 1917. Then we shall have the morning. God hasten the day!

ACTUAL CONDITIONS TODAY

Ordinarily it takes from sixty to eighty per cent of the capacity of a business to pay expenses, and therefore usually any business operated below this must run at a loss.

The modern method of employing as many workmen as possible on part time, instead of discharging those not wanted, has very greatly softened the blow of this great calamity. But the reduced purchasing power of 6,000,000 men employed in our industries prior to the advent of this administration amounts to only about forty per cent of normal; or there are now idle, economically speaking, nearly 3,500,000 men, and but for the war orders this number would have approximated 5,000,000 men. God knows things are bad enough as they are, for, counting the families of the idle and those on part time, between 15,000,000 and 20,000,000 of our people are without means of support.

The great Baldwin Locomotive Works now employ 4,000 of a normal of 18,000 men.

The Waltham Watch Company has just put 3,000 men on short time, declaring that this is due entirely to the depression in the United States and in no way a result of the War.

NATIONAL ISSUES OF 1916

The manager of a Machine Tool concern which ordinarily employs 1,000, men but now only 400, informed me that every order they have is War tainted.

I have been credibly informed that but for the War scarcely a single textile industry in the Cotton Trade would have been running this year.

Mayor Mitchell's committee has just made its report indicating that more than 200,000 men are unemployed in New York City alone.

PSYCHOLOGICAL STATE OF MIND

About one year ago the President was kind enough to inform us that business was all right, that the situation was purely "psychological," and only the other day at Indianapolis, on January 8th, he reiterated the same statement when he gave us the pleasing information, the glad news, that "there is nothing the matter with American Business except a state of mind."

Think of the miracle-working phrase, a "Psychological state of mind." How it clothes the naked! How it fills the stomachs of the starving! How it warms those who are freezing for want of coal! How it satisfies the anxious mother who is watching over her child who is dying for the want of food or a physician's care!

But has not this wonder-working man eyes to see the tragic scenes all around him? Has he got ears to hear the sickening tale of the impoverished homes of the American workingmen? Is it possible that he sees prosperity everywhere,—that the world is all sunshine for everybody!

TALES OF WOE

In the *New York Tribune*, January 30, 1915, the same issue in which the President's remarks were printed,

LINCOLN AND NATIONALITY

and in the very next column, over a most graphic picture of hungry men eating bread and drinking coffee in the wind-swept streets, these words appeared:

“Bread Line at Hotel Gives Bad Shock to Care-free Broadway.”

And under this picture these words followed:

“Starving men and women waiting in biting wind at rear of Knickerbocker, show distress in city greater than ever before. Nearly three hundred fed in first twenty minutes. More than one thousand men were fed. The line extended more than half the way down the block to Sixth Avenue.”

Since then more than three thousand five hundred men and one hundred and fifty women have found food at the kitchen of the Knickerbocker on a single afternoon.

On January 28, 1915, Mayor Baker of Cleveland announced Thursday, February 4th, as the day when “each person in receipt of wages, salary or income will be asked to donate one day’s receipts to a fund for the idle. It is estimated that \$100,000 will be raised in this way and that thousands of destitute families will receive aid.”

A News Item from Boston reads:

“Boston Pushes Relief. City Aids One in Every Five Persons Directly or Indirectly

Boston, January 29, 1915. Mayor Curley said to-day that Boston was providing aid to one in every five persons in the City, either Directly or Indirectly. To aid the unemployed the City has arranged to spend \$1,000,000 in highway work and an additional \$1,500,000 in public buildings and other projects, anticipating many public works that had been projected for much later dates.”

February 4, 1915, was “Bundle Day” in New York City, and the sympathy and generosity of the people

NATIONAL ISSUES OF 1916

of that great city were expressed in a gift of 1,000,000 bundles for the destitute. What a picture that was. Three great buildings were filled with these bundles for the poverty-stricken people.

The Mayor of the great City of Newark has just announced a "Bundle Day" and appealed to the charity of the people.

The *New York Sun* said editorially January 27, 1915:

"In the matter of business depression there is not a man, woman or child in the town who does not hourly have some reminder of the fact that the local want and misery are making this the hardest winter within the memory of most of us. Official reports, personal experiences, the daily mail, which comes to newspapers filled with the most appealing details of human suffering, these are unfailing evidences of the existence of business depression."

But the President says:

"With all due respect to editors of great newspapers, I have to say to them that I never take my opinions of the American People from their editorials."

Thomas A. Edison said the other day:

"These are about the hardest times I've seen in forty-seven years of business."

The President politely feigns ignorance of all distress among the workingmen; but his Postmaster-General sends out word to retrench, and the newspapers report that 300 mail-carriers have been dismissed or demoted in New York City alone.

On the day the President spoke at Indianapolis, the *New York Globe* said, editorially:

"There is one thing certain and that is that the suffering of the needy unemployed in New York this winter is not psychological. It is not only material, but it is more intense, and there is more of it than in many years.

LINCOLN AND NATIONALITY

“Certainly the situation reminds us vividly of the early nineties.

“THE BREAD LINE BACK AGAIN

“See the bread lines in the city
 Growing longer day by day,
Not with tramps, not with panhandlers,
 But with men who earned good pay.
Men despairing, wan and weary,
 With a hopeless look they gaze
At each other’s care-worn faces,
 As in Grover Cleveland’s days.

“See the strong men seeking shelter
 From the icy blasts at night,
Where the city gives free lodging
 And a crust or so to bite.
They are toilers, ‘up against it,’
 Who earned bread by honest toil,
Now the mills and shops are silent
 As in Grover Cleveland’s days.”

BUSINESS CONFIDENCE

President Wilson says that he sees that:

“The oxygen that the lungs of modern business takes is the oxygen of the public confidence, and if you have not got that your business is essentially paralyzed and asphyxiated.”

Was business ever more completely paralyzed or more completely asphyxiated than now?

This is a right vision, but at a wrong time. There has been no oxygen,—public confidence,—in this country, since the President turned on the gas March 4, 1913. Business is in a state of coma, and resuscitation will only come when a Republican President turns off the gas on March 4, 1917.

The *New York Times* said, editorially:

NATIONAL ISSUES OF 1916

“With money so easy and accessible how is it possible that industry is so prostrated? Why are dollars even more idle than men when there is such a surplus of both, each under urgent need to earn a living?”

The explanation is very simple indeed. There is absolutely no “oxygen” in the country,—no “public confidence,” no “business confidence,”—because the conditions are such as to preclude the possibility of confidence in any prudent man.

The *New York Evening Post* said editorially:

“But mere speechifying will not make the wheels turn or the tall chimneys smoke.”

That is true, we must have something more than the coruscation of a mentality intoxicated with theories, inebriated with sentiment, tortured with ambition, and drunk with a power that is purely the product of sixteen years of “Watchful waiting,” and hungry longing; sixteen years of wandering in the wilderness of political want; sixteen years of hungering and thirsting after official pap and political pottage,—places or profit, the purchase-price of honor and patriotism.

Do you think this language too harsh,—too severe? Read the President’s threats uttered on January 8, 1915, at Indianapolis, and answer me:

“If any group of men should dare to break the solidarity of the Democratic team for any purpose or from any motive, theirs will be a most undesirable notoriety, and a responsibility that will bring deep bitterness to them.”

For “any purpose,” however honest and honorable, or from “any motive,” however pure and patriotic. Mark his words! When was such a malediction ever uttered by any President of the United States? Yes, by any king or potentate within a hundred years. President Wilson would rule us, though more than ninety-three

LINCOLN AND NATIONALITY

per cent of our people can read, as Diaz ruled Mexico, where ninety-three per cent of the people cannot read.

He said in his Indianapolis speech, "If a man does not play in the team, then he does not belong to the team." Upon his return to Washington he proceeded to veto a measure which had been passed by both House and Senate, with almost a unanimous vote in both branches of Congress. Now, who is "the team"? Anybody can find the team,—of course he is "the team." He's the whole thing,—the Alpha and the Omega of the Democratic Party.

FUNCTIONS OF GOVERNMENT

From the time Aristotle, who defined the three functions of government as consisting of the Legislative, the Executive and the Judicial departments no man has ever shown such a determined purpose to make the legislative department a mere recording office to register his will, as President Wilson.

On February 15, 1861, at Pittsburg, Abraham Lincoln defined his position upon this question when he said:

"By the Constitution the Executive may recommend measures which he may think proper and he may veto those he thinks improper, and it is supposed that he may add to these certain indirect influences to affect the action of Congress. My political education strongly inclines me against a very free use of any of these means by the Executive to control the legislation of the country. As a rule I think it better that Congress should originate as well as perfect its measures without external bias."

That is good Republican doctrine, and was the practise of the Republican Party for years prior to 1912, the year that President Wilson took judgment by default. During the sixteen years that I was a member of the

NATIONAL ISSUES OF 1916

House of Representatives, from 1894 to 1910, no caucus was ever held. Nor was a caucus rule ever suggested but once to my knowledge. At that time a meeting of the Republican members had been called and an intimation was made that it was to be a caucus. I asked the Speaker of the House whether the meeting was to be a conference or a caucus, and he replied, "They are the same thing."

I went to my room and drew this resolution:

"Resolved, That this is a conference and not a caucus, and that the members participating in this conference shall be free to act in accordance with their consciences when the bill under discussion comes before the House for action."

Immediately after the conference was called to order, that resolution was presented and passed by an overwhelming majority.

OBLIGATION OF CONGRESSIONAL OATH

A Representative or a Senator should be bound by his oath of office which he takes in these words:

"I do solemnly swear that I will support and defend the Constitution of the United States against all enemies, foreign and domestic; that I will bear true faith and allegiance to the same; that I take this obligation freely, without any mental reservation or purpose of evasion, and that I will well and faithfully discharge the duties of the office on which I am about to enter, so help me God."

Is it possible that any Representative or Senator can intelligently and conscientiously "well and faithfully discharge the duties of the office" by registering the will of the President dictated by the iron rule of a caucus?

Is this solemn obligation to be made something even less than "a mere scrap of paper," a veritable badge of dishonor and shame, through a renunciation of all of

LINCOLN AND NATIONALITY

one's ability, self-respect and honor by slavishly submitting to the dictation of another for a miserable mess of political pottage?

If this oath means anything, it commits the one taking it to the solemn obligation of carefully reading, thoughtfully considering, fully discussing and honestly deliberating upon the question up for passage. And when a man abandons his court of reason and abdicates the throne of his conscience and subjects his mind and conscience to the arbitrary rule of a political cabal, he is a traitor to himself, and in its very essence commits treason against his country. This is more especially, indeed absolutely true, when legislators, as certain United States Senators did in the case of the Ship Purchase Bill, blindly bind themselves to the support of a measure even before it takes legislative form. Followed to its logical conclusion, such a procedure must lead inevitably to anarchy; for the welfare of the country, indeed the country itself, has been abandoned, has been deserted in favor of a purely personal government which may be good or bad, wise or unwise, benevolent or tyrannical, according to the conception and standards of the individual who for the time being happens to hold the reins of government.

This is not government by the consensus of the legislators, which is the only safeguard and sure protection to a Republican form of government.

THE PRESIDENT, "THE MOST POWERFUL AND INSIDIOUS LOBBY EVER IN WASHINGTON"

It will be remembered that the President said at the time his tariff bill was pending that there was in Washington "the most powerful and insidious lobby" that had ever appeared there. This remark was an insult to every member of the House and Senate, because it

NATIONAL ISSUES OF 1916

was based upon the assumption that they could be corruptly influenced. It was an insult to every one of their constituents, who desired to exercise the right of petition by presenting his views to his Representative or Senators; because the President had virtually branded every man who appeared in Washington to look after his own or the business of his association or company as a "Lobbyist."

But no one knew at the time to whom the President referred. It is all plain now. "The most powerful and insidious lobby" was in the White House, and did not want to have any competition or be interfered with in any way by the people communicating their wishes to their own Representatives and Senators.

The President demonstrated this to be the fact when he threatened to ruin any man or coterie of men who dared "to break the solidarity of the Democratic team for any purpose or for any motive." These are his words:

"If any group of men should dare to break the solidarity of the Democratic team for any purpose or from any motive theirs would be the most unenviable notoriety and a responsibility which would bring deep bitterness to them."

Now mark you, their lot would be political death even though their "purpose" was noble and their "motive" patriotic. He is not addressing himself to the Republican Senators, who declared that they were prepared to fight his Ship Purchase Bill to the bitter end, but to Democratic Senators. Who could bring deep bitterness to them,—the Democratic Senators,—except the President himself, by refusing to recognize them in the appointment of all Federal offices on the ground as he stated further along in that most astounding speech, that, "If a man will not play in the team, then he does not belong to the team." The President assumes that it is his exclusive right and prerogative to judge every Democratic member of the Senate; to pass upon

LINCOLN AND NATIONALITY

his "purpose" and "motive," and to politically execute him if his votes do not accord with the President's will. "The laborer is worthy of his hire," is his standard of patriotism and devotion to country.

RULES OF BUSINESS

Referring to his rules of business, President Wilson says, "That the mists and miasmatic airs . . . have been blown away."

If there ever was a lot of legislative rubbish forced into the channels of legal thought and athwart the orderly course of evolutionary interpretation and adaptation of a great statute to the vastly changed conditions of business, it was the worse than useless laws to which he was referring. These laws will contribute absolutely nothing to clarify the business situation, but on the contrary clog the wholesome progress of our solution of corporate problems, which were being unraveled by experience, the character of every act being definitely determined by the Supreme Court of the United States as rapidly as occasions arose. This is the process by which Anglo-Saxon civilization has been evolved, and there is nothing in the history of the English-speaking race that better illustrates the wisdom of this course than the successive decisions of the Supreme Court, interpreting the Sherman Anti-Trust Law.

FEDERAL RESERVE BANK ACT

The President blandly inquired at Indianapolis whether:

"This is not the first January in their recollection that did not bring a money stringency for the time being because of the necessity of paying out great sums of money by way of

NATIONAL ISSUES OF 1916

dividends and other settlements which come at the first of the year."

How could any man ask such a question, when he must have known that the pay-rolls of the United States at that time were not more than forty per cent of normal, and that, thanks to him, there were practically no dividends to pay? It was precisely the same in Cleveland's administration. No one had to raise any money to pay dividends then; nor will anybody be bothered to raise money for that purpose during Mr. Wilson's administration.¹ Both of these administrations will go into history as poverty-sharing, not profit-sharing, administrations. The President says, "We have emancipated the credits of the country." I say they have enslaved them, because the life or death of every business, so far as affected by the Federal Reserve Bank, is within the control of a political machine, whose power is greater than any other specific force in the world. The bankers of the country who are subject to its caprice and chicane are living in abject fear; yes, actual terror, of the exercise of its malevolent influence if they do not intend to be a part of "the team." Their freedom of action, their independence, is largely gone.

BUSINESS LAWS VIOLATED AND STATUTES SET ASIDE

The Federal Reserve Act contains these words:

"Provided that the districts shall be apportioned with due regard to the convenience and customary course of business."

In strict accord with this provision, from a Democratic business point of view, all this northern part of New Jersey, which is as much a part of New York,

¹ But for the War, which set two million men to work making arms and ammunition, we would now be passing through a national tragedy. It still awaits us when the war is over.

LINCOLN AND NATIONALITY

physically, socially, economically and commercially as Brooklyn is, has been forced to go to Philadelphia because, as I suppose, we have no business relations worth speaking of with Philadelphia. To the observing, the reason is obvious. The Administration has determined to turn the tide of natural advantages backward, and if possible destroy New York as the financial center of the United States. This diabolical, this idiotic purpose was also disclosed by sending all western Connecticut, which is also essentially a part of New York, to Boston, with which it has no business relations of consequence.

The ignorance, partizanship and sectionalism of the Administration were illustrated in the entire apportionment. Baltimore, the natural financial center of the South, with five times the population, with five times the bank deposits, five times the bank clearings, five times the jobbing trade, was sent to Richmond, a country town. Pittsburg was sent to Cleveland, although its business is almost entirely with Philadelphia and New York. Omaha was sent to Kansas City, although its credits all run eastward to Chicago and New York. New Orleans, the one great natural center of Southern trade, which was sent to Atlanta, used this language in its protest and memorial:

“Had the bankers of New Orleans for a moment supposed that the organization committee of the regional banks could be influenced by other than economic considerations, and had it not been for frequently reiterated statements of Secretary McAdoo, Senator Owen, and Congressman Glass,—all instrumental in the framing and passing of the regional bank legislation,—‘that the bankers had nothing to fear from political or personal influence,’ we might have stooped to similar tactics and sent our national committeeman, Colonel Ewing, who spent the influence of his two strong newspapers and months of his time in Chicago headquarters, working for and gathering funds from the citizens in support of the present Administration, which has done more to injure

NATIONAL ISSUES OF 1916

New Orleans than the previous fifty years of war, pestilence and flood."

The sectionalism of this Administration was illustrated by locating five of the twelve Reserve Banks—Richmond, Atlanta, Dallas, Kansas City and St. Louis—in a territory doing about one-fifth of the business of the country. Its extreme partizanship was shown by appointing seven Democrats to fill the seven places on the Federal Reserve Board. This monstrous unpardonable piece of partizanship is without a parallel in American history; and only points the way in which this political machine, of all political machines, can and will be used to crush out the natural impulses and strangle the natural courses of trade, and be so prostituted, at some critical time, to political ends, as to ultimately terminate in a crash of credit that will shake the world.

Furthermore, I assert that this gigantic machine was born of purely foreign concepts that have no direct relation to the conditions and needs of American business; that its chief, if not sole purpose, was to provide for our foreign exchanges, which amount to less than one per cent of our domestic business; that it is not adapted to the requirements of our productive and transportation operations, as is evidenced by the fact that the response to Secretary McAdoo's wholesale offer last fall to help all who needed assistance, brought requests for only \$23,135,844,—a mere bagatelle for some of our present banks to provide; that it will cost the United States when in complete operation \$1.00 a year for every man, woman and child, or \$100,000,000 more than a right system would; that it has already greatly weakened the foundation of bank credit by a reduction of bank reserves, and that it will ultimately imperil our whole commercial structure, and our government credit as well.

The Federal Reserve Act is the most stupendous blunder ever committed in our economic life; and it

LINCOLN AND NATIONALITY

would never have been passed if it had been subjected to a country-wide discussion. It was passed under the plea, that unless passed the Democratic Party must plead its incompetence,—a mere confession of a well-known and long-recognized fact. It was passed under the whip and spur of a party machine, and by the most flagrant and putrid use of political power. President Wilson confessed his utter ignorance of the whole question by insisting upon the passage of the bill as it came from the House of Representatives, a bill repudiated and denounced by every intelligent man in the country.

WILSON NEVER IN BUSINESS

President Wilson in his Indianapolis speech went to the unnecessary trouble of saying, "I never was in business"; for to every intelligent and observing man it has been quite evident ever since the administration began its antics, that not a single member of it had ever successfully engaged in business.

BUSINESS CONFIDENCE

On January 3d, before the American Electric Railway Association, President Wilson said:

"Therefore we have got to trade not only on our efficiency, not only on the service we render, but on the confidence we cultivate."

How has this Administration cultivated the business confidence of the country? The balance of trade for the four years preceding its advent into power was as follows: 1910, \$303,000,000; 1911, \$506,000,000; 1912, \$581,000,000; and 1913, \$691,000,000.

The European War broke out August 1, 1914. Dur-

NATIONAL ISSUES OF 1916

ing the first seven months in 1913 the balance of trade in our favor was \$339,000,000. During the first seven months in 1914, down to the breaking out of the War, it was only \$60,000, and but for the War, the total balance of trade in our favor, amounting to \$691,000,000, would not only have been completely wiped out, but there would have been a balance of trade against us approximating \$50,000,000. Every student of this question knows that.

Moreover, it requires a large balance of trade in our favor to meet the interest on securities held abroad; to cover freights paid, foreign shipping interests; to provide money for American travelers abroad, and to protect ourselves against the remittance of money to foreigners by their friends living here,—the aggregate amount of which is variously estimated as from \$500,000,000 to \$800,000,000 annually.

DEFICIT AND REVENUE

The deficit in the Treasury today, February 12, 1915, is about \$80,000,000, notwithstanding the returns from the stamp tax, which the Administration estimated would produce \$95,000,000.

Will the President have the hardihood to tell the people that the European War cut off our imports? The imports for the year 1913 amounted to \$1,792,000,000, and the imports of 1914 amounted to \$1,789,000,000, or only \$3,000,000 less than the previous year,—a reduction of only one-sixth of one per cent. The only man in the United States who could possibly see that is the President; but he cannot see a deficit of \$100,000,000 or more a year.

An official of the Post-Office Department has already announced that there will be a heavy deficiency in postal receipts this year on account of the depression of busi-

LINCOLN AND NATIONALITY

ness, notwithstanding the fact that this Administration unfairly and forcibly withholds from the railroads several millions of dollars justly their due for services performed.

During Cleveland's administration the postal deficits were largely increased. When you recall the fact that at the time this Administration came into power there were 6,000,000 men employed in our industries, that they were working full time, and that they were receiving full pay, and that now the pay-roll does not exceed forty per cent of what it was then, it requires no argument to show why the postal receipts will fall behind many millions of dollars. Many men have already been put on the waiting list in the Postal Service.

These stupendous facts, conclusively proving the failure of the Administration to meet its business responsibilities, *cultivate public confidence with a vengeance*. If it were a business instead of a political matter, the President would have been recalled long ago.

APPROPRIATIONS

In the platform of the Democratic Party we find these bitter words of denunciation of the Republican Party:

"We denounce the profligate waste of the money wrung from the people by oppressive taxation through the lavish appropriations of Republican Congresses, which have kept taxes high and reduced the purchasing power of the people's money. We demand a return to that simplicity and economy which befits a Democratic government."

The last three appropriations made by Republican Congress were as follows:

REPUBLICAN	
1910.....	\$1,028,000,000
1911.....	1,027,000,000
1912.....	1,026,000,000

NATIONAL ISSUES OF 1916

The last three appropriations made by Democratic Congress were as follows:

DEMOCRATIC	
1913.....	\$1,098,000,000
1914.....	1,116,000,000
1915 ¹	1,150,000,000

Here is an increase in our government expenses in the first two years of Democratic rule of \$160,000,000 in our appropriations; and, including those for this year, an increase for the three years of approximately \$293,000,000, or nearly \$100,000,000 for each year,—just a ten per cent increase in our expenses,—that's all! and yet we could stand even this if there had been a ten per cent increase in our profits on the business we had when the Democratic Party came into power; but when there has been almost a complete wiping out of all business, you can appreciate what a truly Democratic administration this has been, and what a truly systematic way it has of expressing its deep interest in and profound solicitude for the people.

But why should we be surprised at this generous donation of the people's money to faithful followers, when we recall that fundamental economic principle of the Democratic Party, so well expressed by one of their departed saints:

“It is the declared purpose of the Democratic Party to have a more economical administration, even if we do spend more money.”

Speaker Reed diagnosed the Democratic disease with marvelous skill and accuracy when he said:

“Of course you can't run the country. You can't run yourselves; you are simply incompetent.”

¹Estimated from present indications, February 12, 1915. It is now evident, March 15, 1915, that if the administration had made adequate appropriations to meet their expenses they would have exceeded \$1,150,000,000.

LINCOLN AND NATIONALITY'

The incompetency of the Democratic Party and the utter recklessness of the President have bankrupted the United States Treasury.

One thing at least is now certain, and that is, that the Presidential term will never be extended to six years at the close of any Democratic administration. The people now realize that even four years is just four years too long, if the President happens to be a Democrat.

WHY THE DEMOCRATS WIN ONCE IN A GENERATION

During four or five Presidential terms, generation after generation of young men come upon the scene who are filled with long-exploded theories and the vainest possible sort of ambitions, men who have never eaten the ashes of a free-trade conflagration; men who want to start something; men who want a change just for a change's sake. They have forgotten those telling, those graphic words of James Russell Lowell, which so fittingly describe our experience with Democratic administrations. He said:

“A change just for a change's sake is like living at a hotel, where they shuffle the plates and live on smells.”

It is not strange, therefore, that it takes the American people just twenty years to forget what the Democratic Party did to them. Nor is it at all strange that it takes the people only two years to remember what the Republican Party did for them.

Everyone must now be struck by the incompetency of the Democratic Party and the recklessness of the President at every turn in our national affairs.

SHIP PURCHASE BILL

Often when we have been shocked at the utter disregard of the Administration of the rights of American

NATIONAL ISSUES OF 1916

citizens, we have been inclined to charge up this apparent indifference to extreme caution, and some well-defined policy.

But upon a closer view, upon a clearer analysis of each situation, it becomes evident that the whole attitude of this Administration with respect to the duty of the government to protect the lives and property of its citizens, is due to the working of two minds, both of them obsessed with a sickly sentimentality, which has been the source of many of our troubles.

That it is in no sense due to wise caution, the attitude of the President on the Ship Purchase Bill demonstrates.

Here is a great world war, already involving nine nations, including all the leading nations except the United States, with a certainty that at least two more will join in this overwhelming world catastrophe.

There is not a single ship owned by any of these warring nations that is a fit subject for purchase. The fifty-five German ships and the eleven Austrian ships, now interned in American ports, are just as fit subjects for negotiation as the vessels of the other belligerent nations,—the only difference being the measure of risk involved in operating them. A German submarine skulking in the depths of the ocean, or the *Karlsruhe* still roaming the seas, would be as justified in seizing and sinking a ship purchased by us from England and flying the American flag, as an English cruiser would be in seizing or sinking a ship bought by us from Germany and flying the American flag.

Outside of ships owned by the nations at war there is nothing worth considering.

Moreover, many of the lanes of ocean travel surrounding Great Britain are sown with mines, endangering the ships passing through them. And even if there were ships that could be legitimately purchased outside of the forbidden list, a more foolhardy and indefensible scheme is inconceivable.

LINCOLN AND NATIONALITY

The Ship Purchase Bill is essentially the President's measure. He has had it on his brain for months, therefore his own explanation for its passage must be the last word on the subject.

On January 8, 1915, at Indianapolis, he used this language:

“Do you know, gentlemen, that the ocean freight rates have gone up in some instances to ten times their ordinary figure and that the farmers of the United States—those who raise grain and those who raise cotton; those things that are absolutely necessary to the world as well as to ourselves—cannot get any profit out of the great prices that they are willing to pay for these things on the other side of the sea because the whole profit is eaten up by the extortionate charges for ocean carriage.

“The merchants and the farmers of this country must have ships to carry their goods, and just at the present moment there is no other way of getting them than through the instrumentality that is suggested in that shipping bill.”

The President says that the increased price of wheat due to the War has all been “eaten up by the extortionate charges for ocean carriage.” When the War broke out wheat was selling for seventy cents a bushel in Chicago; it is now¹ one dollar and seventy cents, and the farmer is getting that dollar, is he not? He is selling the wheat in Chicago, not in Liverpool or London, as the President would have you believe.

The most surprising, the most astounding thing, conceivable, is that the President, Secretary McAdoo and Secretary Redfield now charge that the seller of these goods pays the freight and all other charges. In the light of the fact that the Democratic Party has fooled the American people over and over again, by telling them just the reverse, that when we imposed

¹ February 12, 1915.

NATIONAL ISSUES OF 1916

Protective Tariff duties, the buyer, the consumer, paid the duties, is not this a strange proposition? The Democratic slogan, "The tariff is a tax paid by the consumer," has beguiled many a political wayfarer.

The facts are: first, the foreigner is now paying all the charges on foodstuffs sent from this country; second, on the contrary, the foreign manufacturer pays on the average from fifty to seventy-five per cent of properly adjusted Protective Tariff duties, and sometimes all of them. In 1882 the price of wire nails was eight and one-half cents a pound, and the tariff duty was only one cent a pound. In 1883, the duty was raised to four cents. The price, according to the Democratic slogan, should have been eleven and a half cents. But in two years we produced 200,000 kegs of wire nails, and in 1890, 3,900,000 kegs, and the price was less than two cents (.0195).

"A leading manufacturer of Bradford, England, said: 'The least possible reduction in the American Tariff will be a grand thing for Bradford. We are selling our goods for the same prices as we did before the higher tariff was enacted; and, as I know, the Bradford manufacturer is paying the duty, not the American consumer.'

"And another said: 'If the duties came out of the American consumer, the English manufacturer would not care a button about the American tariff laws.'"

Mark this and note it well, that while the foreigner pays a large proportion of a properly adjusted Protective Tariff for the privilege of doing business in this country, as he should, the American consumer always pays all the duty put upon those things that we do not produce,—such as tea and coffee; and also that the American consumer is to-day paying \$100,000,000 in stamps on promissory notes, telephone calls, stock transfers, insurance policies, and all forms of contracts

LINCOLN AND NATIONALITY.

that ought to have been paid by foreigners for the privilege of doing business in this country.

SHIPS NOT NEEDED FOR EXPORTS

The President says the merchants and farmers must have ships to carry their goods, and just at the present moment there is no other way of getting ships than through the instrumentality that is suggested in that shipping bill.

Upon what ground the President sought to beguile the American people into this wild and dangerous experiment no intelligent man who has followed the foreign-trade situation can possibly conceive. Indeed, its only explanation can be found in the fact that he was under one of those spells of "reckless enthusiasm" which this self-willed man says sometimes seizes him.

EXPORTS GREATER THAN EVER

Exports from the United States since the European War broke out, especially since England demonstrated her power to command the seas, have gone on increasing until during the month of January, when they reached \$267,000,000, the largest exports in any single month during the past three years with two single exceptions,—the month of November, 1912, when the exports reached \$278,000,000, the month of October, 1913, when they reached \$271,000,000. The exports for December, 1914, were \$245,000,000, while the exports for December, 1913, were only \$233,000,000.

Under these circumstances could any intelligent, level-headed, unprejudiced, straightforward man have placed himself in such an utterly indefensible position as the President did, when he said, "The merchants and farm-

ers must have ships to carry their goods, and just at the present moment there is no other way of getting them than through the instrumentality that is suggested in the shipping bill”?

But in that same speech, the President said, “I was never in business,” and possibly we should excuse him on that account; for a man who has never been in business must be excused for much when trying to run the United States government, which is the greatest business institution in the world.

Secretaries McAdoo and Redfield made similar statements to those of the President in a recent report which our highest economic authority on commercial questions, the *Journal of Commerce*, declared was “too idiotic for serious comment.”

PUBLIC OPINION AND FACTS DISREGARDED

The public opinion of the country, expressing itself through commercial bodies, such as the Merchants' Association and Chamber of Commerce, New York, the Boston Maritime Agency, and the United States Chamber of Commerce, which represents the greater part of such bodies in the United States, is unanimous in unqualified condemnation of the President's project. To all students of the problems involved there can be but one conclusion; but this conclusion would not have the slightest influence with the man who is seeking “Common Council,” because it is not the kind of “Common Council” he wants.

It is a matter of no consequence to the President,—even though it is a fact,—that the increased insurance caused by the dangers of the sea, that the long delays at foreign ports, sometimes exceeding sixty days, because the docks and harbors are commandeered; that the failure to get return cargoes; the fact that there are few

LINCOLN AND NATIONALITY

passengers to take state-rooms; and that the American Merchants cannot afford to trade with the South American countries beyond the limits of their ability to pay, all combined, fully and completely account for all the seemingly extraordinary vagaries of the shipping lines.

Again, there is no question in the whole business world that is more involved; none that is so dependent on a multitude of factors; none that is so intricate; none that is so delicately balanced, and none that is so complicated and in the end must be so nicely adjusted as that of international exchanges.

Is it possible that any intelligent person does not know that every pound of freight carried in a government-owned vessel at such a price that it will not cover the current expense, pay interest on the cost of the ship, and create a sinking fund sufficient to take care of the depreciation is a direct subsidy to the shipper? And yet the President himself proposes to carry on the business at a loss in the hope that at some time in some way we may get even. Such dreams are the natural output of a mind that has become utterly surcharged with impractical theories.

Then it is to be remembered also, that there will not be an hour from this time until the War is over, that the circumstances will not become more and more involved, and the situation become more delicate and dangerous, making it most difficult, if indeed not quite impossible, to keep out of trouble because both jealousy and suspicion fill the air, and every nation imagines it can "see spears in a needle-case."

Confronted with all these various problems of such far-reaching consequence, and with a bankrupt Treasury, is it not strange that the man who is charged with these responsibilities should propose to invest \$30,000,000, \$40,000,000 or \$100,000,000, if the President wishes to do so, in ships to engage in ocean trade? However,

NATIONAL ISSUES OF 1916

what is \$50,000,000 or \$100,000,000 more or less to a Democratic administration so long as it still has the taxing power left?

But I had forgotten, the President is trying to "cultivate confidence," "public confidence," "business confidence."

WE WILL HAVE A MERCHANT MARINE

We will have an American Merchant Marine when it is built in American shipyards, owned by American citizens, and manned by American seamen. And it will be successful directly in proportion to the extent that it is put on an equal footing with the shipping of other countries with which it has to compete.

Owing to the potential advantage of having affiliated banking interests wherever American ships may go, to cooperate with and control business for them, we shall not be able to reap the full benefits of an American merchant marine until its corollary American Banking connections shall girdle the earth, and the American Navy and the American Army stand ready to protect American citizens in their rights wherever they may go.

Not until the Stars and Stripes stand for power, and the defense of every citizen of this Republic, as well as for peace to all the nations of the earth, will the American merchant, the American capitalist, the American pioneer, the American home-seeker venture to risk his property, his all, his life and the lives of his family, in foreign lands.

God forbid that the time should ever come when the Stars and Stripes shall be nothing more than a gaudy colored rag, to mock the men who stand ready to defend it with their blood. God grant that it forever shall remain, what in truth the founders of this government intended it should be,—the emblem of peace to all the world, typified by its white; the emblem of the fidelity

LINCOLN AND NATIONALITY

of this government to all its obligations to every citizen living under it, typified by its blue; the emblem of the courage of every succeeding administration to defend and protect every American citizen in his rights wherever he may be in his journey around the globe, typified by its red; the emblem of hope to all nations of the earth because it exemplifies in our citizenship the rich possibilities of liberty, justice, and the complete independence, moral, social and industrial, of every human being living worthily under the shadow of its ample folds, typified by its stars.

“Your flag and my flag, and how it flies today;
In your land and my land and half the world away;
Rose-red and blood-red its stripes forever gleam,
Snow-white and soul-white, the good forefathers’ dream;
Sky-blue and true-blue, with stars that gleam aright;
The gloried guidon of the day; a shelter thro’ the night.

“Your flag and my flag, and oh, how much it holds!
Your land and my land secure within its folds;
Your heart and my heart beat quicker at the sight;
Sun-kissed and wind-tossed, the red and blue and white!
The one flag, the great flag, the flag for me and you;
Glorified all else beneath, the red and white and blue.”

MEXICO

From this glorious picture we turn with sad reflection and deep humiliation to the story of Mexico.

No one has ever known, nor now knows, the policy of this administration toward Mexico, if it ever had one, except what you may infer from the President’s speech at Indianapolis, January 8th, when he said:

“Now there is one thing that I have a great deal of enthusiasm about, I might almost say a reckless enthusiasm, and that is human liberty.

"Much has been said about 'watchful waiting' in Mexico. I want to say a word about Mexico—not so much about Mexico as about our attitude toward Mexico.

"I hold it as a fundamental principle, and so do you, that every people has the right to determine its own form of government, and until this recent revolution in Mexico, until the end of the Diaz reign, eighty per cent of the people of Mexico never had a look-in in determining who should be their Governors or what their government should be.

"Now I am for the eighty per cent. It is none of my business and it is none of your business, how long they take in determining it. It is none of my business and it is none of yours how they go about the business. The country is theirs, the government is theirs, and the liberty—if they can get it, and God speed them in getting it—is theirs; and so far as my influence goes, while I am President, nobody shall interfere with it.

"That is what I mean by a great emotion of sympathy. Do you suppose that the American people are ever going to count a small amount of material benefit and advantage to people doing business in Mexico against the liberties and the permanent happiness of the Mexican people?"

Has it not occurred to the President how many misstatements his words contained? Has it not occurred to the President that he might be suspected of wanting the people to draw false inferences from what he said? Let us see. He says:

"I hold it as a fundamental principle, and so do you, that every people has the right to determine its own government. [And again] It is none of my business, and it is none of your business, how they go about the business. . . . And so far as my influence goes, so long as I am President, nobody shall interfere with it."

You would naturally think from this that nobody had interfered with it. He would have us infer, he would have us believe, that he never had interfered in the evolution of government in Mexico.

LINCOLN AND NATIONALITY

Huerta was President of Mexico when Woodrow Wilson became President of the United States.

All the leading countries of Europe had recognized Huerta as President of Mexico. The President refused to do so, and when he refused to recognize the de facto government of Mexico he interfered with it.

On the other hand, as a matter of fact, did not the President deliberately set about to destroy all the government Mexico then had? Did he send to Mexico a man of recognized ability, such as Elihu Root or John Bassett Moore, men peculiarly fitted by ability and training to help adjust their difficulties and bring order out of chaos?

Did not John Lind present a most undiplomatic and brutal request to Huerta, the President of Mexico,—one that no self-respecting man could consider? Did not Gamboa, the Mexican Minister of Foreign Affairs, make every American blush and hang his head for shame by his most masterful reply? Did not the President, repulsed and confounded by Gamboa's answer, have Lind, his "Deserving Democrat," then try to buy Huerta off by offering to procure money for the Mexican government if he would accede to his request? Did not Gamboa answer that "no loan from American bankers could be large enough to induce the Mexican government to renounce the sovereign rights of the nation and to permit its dignity to be lessened"?

Did not the President, mortified and humiliated by his diplomatic defeat, notify the European countries that the United States desired a free hand in Mexico? And were not the bankers of Europe advised by him not to lend money to a government which had not been recognized by the United States?

Was not this step of the President the very beginning of that era of brigandage and rapine which has steadily grown worse and worse from that day to this? Did not the President in January, 1914, lift the embargo on arms

NATIONAL ISSUES OF 1916

because they were destined for the Revolutionists, Carranza and Villa, whose cause he had now, practically, openly espoused? Did not the President, who up to this time had failed to drive Huerta from power, under a false pretense that our flag had been insulted at Tampico, as it could not have been if there was no government in Mexico, seize Vera Cruz, losing seventeen of our men and killing several hundred Mexicans?

Did not the President order our army to seize Vera Cruz before given authority by Congress, under the pretense that he wanted to stop a shipment of arms and ammunition that were consigned to the Huerta government? But were not these same arms and ammunition subsequently landed at Puerto, Mexico, and then forwarded to Huerta?

Is it not a fact that American men, women and children were besieged at the Southern Hotel in Tampico and compelled to ask and accept from British and German officials and officers, to our utter disgrace as a nation, that protection which our own government failed to give, simply because our own warships had left the river under government orders and gone out to sea, so that they might not be involved in any difficulty on account of being compelled, if present, to rescue our own citizens?

Is it not a fact that we spent \$10,000,000 maintaining our troops at Vera Cruz, and did not get an apology for the pretended insult to our flag, but withdrew when the real object for landing the troops had been accomplished,—the elimination of Huerta?

In the very teeth of all these facts which have gone into history the President had the reckless boldness to presume on the credulity of the American people to an extent that necessarily implied an insult to every intelligent man living in the United States when he said at Indianapolis, January 8th:

LINCOLN AND NATIONALITY

“Haven't the European nations taken as long as they wanted and spilled as much blood as they pleased in settling their affairs? Shall we deny that to Mexico because she is weak? No! I am proud to belong to a strong nation that says this country which we could crush shall have just as much freedom in their own affairs as we have.”

There is not a man in the country who has given the slightest attention to what the President did in Mexico who does not know that his every act from the beginning belies this statement and makes it utterly false, because he interfered from the very start and has prevented freedom of action of all the orderly government Mexico has had.

Is it not a fact that owing to the President's interference there has not been an hour since this administration came into power when the situation in Mexico has not grown constantly worse, until today anarchy reigns everywhere and all diplomatic relations are at the breaking point?

In his special “watchful waiting” message to Congress, August 27, 1913, he used this language. How startling, how astonishing it now seems in the light of what he actually did. He said:

“I deem it my duty to exercise the authority conferred upon me by the law of March 14, 1912, to see to it that neither side of the struggle now going on in Mexico receives any assistance from this side of the border. I shall follow the best practise of nations in the matter of neutrality by forbidding the exportation of arms or munitions of war of any kind from the United States to any part of the Republic of Mexico—a policy suggested by several interesting precedents, and certainly dictated by many manifest considerations of practical expediency. We cannot in the circumstances be the partizans of either party to the contest that now distracts Mexico, or constitute ourselves the virtual umpire between them.”

Has it not been already demonstrated that the President did diametrically the opposite of what he said he

would do? Did he not make war in every conceivable and potential way upon Huerta, from refusing to recognize him to landing troops in Mexico for the express purpose of driving him from power?

Did he not favor Carranza and Villa in every way, even opening the flood-gates of arms and ammunition and exhibiting a particularly friendly spirit toward Villa by virtually selecting him, the most desperate of all Mexican desperadoes, the worst brigand of all the brigands, the most cruel, the most brutal, the most bloodthirsty man of all history, to achieve the President's glorious mission in Mexico, as described by the President himself in his speech at Swarthmore, when he said:

“Nowhere on this hemisphere can any government endure which is stained by blood”?

And also in his speech at Mobile when he said:

“We will never condone iniquity because it is most convenient to do so”?

Villa has now completed the work the President selected him to do,—created a carnival of crime and murder throughout Mexico; and as a result of what the President in his note to Huerta describes “*as an early and free election in which all will agree to take part,*” has declared himself Dictator.

The crowning act of this bloodiest of all dramas in American history at least will be the recognition of Francisco Villa, or some other villainous villain as Dictator of Mexico, by Woodrow Wilson, President of the United States. Then peace will reign and popular elections will go on forever in the Republic of Mexico, because ninety-three per cent of the people cannot read and do not know what an election is.

Is it not a fact that when the President prevents other governments from protecting their rights in Mexico,

LINCOLN AND NATIONALITY

under the pretense that the "Monroe Doctrine" makes that our business, and then fails utterly to do so, he has rendered this government liable for the consequences?

Is it not a fact, however, that he has done far more to protect the interests of other countries than our own? Is it not a fact that he has literally done nothing to protect American interests or American citizenship in Mexico? Is there on record anywhere any evidence that this Administration has lifted its finger to prevent the pillage and plunder of property belonging to Americans in Mexico; or to prevent assaults upon American women, or the murder of more than 250 men by Carranza and Villa and their followers? Is there a single record of as much as a visible protest by this Administration against any of these crimes committed by the Mexican protégés of this Administration and their followers?

Is it not a fact that when crimes are committed in the presence of others or within the knowledge of others, and such other persons make no effort to prevent the commission of the crime, nor any effort to call the perpetrators to account, they are held to be accomplices before the act or accomplices after the act? What is the position of the present Administration with regard to this most grievous matter?

AMERICAN CITIZENS IN MEXICO

Are not those American citizens who engaged in business in Mexico entitled to protection from this government as well as those citizens who have remained at home? What is this government for? Something that we must defend with our lives, but which in turn will neither protect our property nor defend our lives, nor the sacred rights of our wives and daughters?

All this long succession of sadder, and still sadder

NATIONAL ISSUES OF 1916

events, has been approved, if indeed not inspired, by that vaudeville performer, that most ridiculous political harlequin, who is playing the parody of all parodies in the State Department, and bringing upon this government the ridicule and contempt of all civilized nations. Think of the great Secretaries of State: Daniel Webster, William H. Seward, Hamilton Fish, James G. Blaine, John Hay and Elihu Root, and then think of,—but I will not suggest the impossible, nor will I commit sacrilege.

Is it not a fact that when a committee, representing American interests, asked for protection to their property in Mexico, Secretary Bryan said:

“We are not concerned about American property in Mexico. Americans who invested in property in foreign countries must not look to this government to protect them”?

Is it not a fact that when an American citizen living in Mexico appealed to Secretary Bryan for protection, the Secretary of State rebuffed him with this contemptible interrogatory, “Why did you leave your own country, anyway”?

Is it not a fact that when a complaint was made to Secretary Bryan with regard to abominable outrages committed upon women by the followers of Carranza and Villa, the Secretary of State only replied by retorting that he had information that “the followers of Huerta had committed similar outrages on two American women from Iowa”?

How long, oh Lord, how long, shall such things be permitted to continue in the name of peace!

SOME WARS JUSTIFIABLE AND RIGHTEOUS

Dreadful as war is, terrible as war is, horrible as war is, awful as war is, there are some things worse even than

LINCOLN AND NATIONALITY

war! And one of the things that is worse than war is a contemptible, a dishonorable, an ignoble peace at any price. The War of the Revolution, the War of the Rebellion, great as was the sacrifice, precious as was the price, were worth more, incomparably more, infinitely more, than all they cost. The very best, the very richest part, the very soul of our American civilization, has been purchased at the price of war. And yet, who would recall, if he could, a single deed of valor or sacrifice? They are the richest heritage and the most glorious and all-impelling force in the character-building of this nation. Without these two great world-history making wars, we would have had no Father of his Country. We would have had no Washington, whose mighty character moved over and stirred the political deeps of all the nations of the earth. We would have had no savior of this Republic. We would have had no Lincoln, whose immortal spirit fills the upper air and will permeate all political thought to the end of time with his sense of right, justice and humanity.

IGNORANCE OF THE PRESIDENT

Is it not a fact that there is no such thing as public opinion in Mexico as we understand it? That there is no such thing as national patriotism in Mexico; but that the social organism is a never-ending succession of leaders, and their followers,—such as the Carranzistas, Huertistas, Villastas, Zapatistas? And that government in Mexico,—when they have any,—is the successful incorporation of these leaders into an organization strong enough to suppress any one of them, otherwise just as there have been, there will continue to be revolutions and anarchy?

Was it not the complete absence of any comprehension of the Spanish-Indian character or appreciation of Mexi-

NATIONAL ISSUES OF 1916

can history from a mind surcharged with impractical idealism, that has been responsible for the vacillating course of the President?

POPULAR GOVERNMENT IN THE SOUTH

Is it not a fact that the President had no more right to interfere in Mexico because "eighty per cent of the people in Mexico never had a look-in in determining who should be their Governors, or what their government should be," than he has to interfere in Russia because of its form of government, or in China because no one has a look-in there except Yuan-shi-kai; or than England has to interfere in Mississippi "because the colored people, sixty-six per cent of the population, have no look-in in determining who should be their Governor or what their government should be?"

The colored people of Mississippi, one million two hundred thousand of them, are as completely eliminated from a participation in their government as the most useless and most worthless Indians in Mexico are, indeed more so. It took only 36,890 votes to elect eight Congressmen in Mississippi in 1914; but it took 281,092 votes to elect the Congressmen from the first eight districts of New Jersey, or nearly eight times as many votes to elect a Congressman in New Jersey as in Mississippi.

The President says in his Indianapolis speech:

"Now there is one thing that I have a great deal of enthusiasm about, I might almost say a reckless enthusiasm, and that is human liberty."

While this raging passion, this "reckless enthusiasm," for "human liberty" is rushing through the President's soul, why does he not do something to give political liberty to the colored voters of Mississippi and the other

LINCOLN AND NATIONALITY

Southern States? Why does he not at least give some vent to this boiling, seething sentiment, this "reckless enthusiasm," for "human liberty," lest there be such an explosion of his passion, his "reckless enthusiasm" for "human liberty," as to deprive the Democratic Party of a candidate in 1916?

Is it possible that he thinks that the colored people are not entitled to "human liberty" because they are not human beings?

COLORED RACE

Prior to the election in 1912 the President pledged himself to aid the colored race in every way possible, declaring that he stood "for everything by which I could assist in advancing the interest of that race in the United States."

Now, mark with what never-failing certainty he eliminated every colored man he could lay his official hands on. The Register of the Treasury and the Minister of Hayti and San Domingo, holding positions long recognized as peculiarly fit to encourage the colored race, and therefore in a sense traditionally belonging to the colored people, were removed and two of Bryan's "Deserving Democrats," one Sullivan of the most unsavory memory in particular, put in their places. A colored attorney, who was recognized as having very great ability, was one of the assistants of the Attorney-General of the United States, but that fact, too, is now only a memory.

The *New York Evening Post* has this to say of Mr. Wilson and his relation to the colored man:

"On top of this came the segregation in the Federal Departments. Never before in the history of our Republic has a class system been established among its civilian employees. . . . The more regrettable is it, therefore, that this should be the act of the author of the *New Freedom*. . . . While Wilson

NATIONAL ISSUES OF 1916

himself appears to have been faithless to his preelection promise."

In the very teeth of this removal of all colored officials and the installation of segregation in the Federal Departments, the President breathes forth these sympathetic soul-stirring sentiments when speaking to the "University Commission on Southern Race Questions":

"Our object is to know the needs of the negroes and sympathetically help them in every way that is possible *for his good and our good*. There isn't any question, it seems to me, into which more candor needs to be put or more thorough good feeling than this."

How feelingly he spoke; but how unfeelingly he acted when he replaced every colored official with a "Deserving Democrat"!

CIVIL SERVICE

This lack of harmony between the President's words and deeds has been strikingly illustrated in his relations to the Civil Service.

The platform upon which he was elected contains this plank:

"The law pertaining to the Civil Service should be honestly and rigidly enforced, to the end that merit and ability shall be the standard of appointment and promotion, rather than service rendered to a political party."

To appreciate fully with what complete and perfect infidelity this plank has been observed, please note that when the Underwood Tariff Bill was passed all income-tax collectors were excepted from the Civil Service rules, and made admissible to other work, thereby subjecting the whole internal revenue service to the spoils system. Then in the Deficiency Bill all deputy marshals, all deputy revenue collectors, and to cap all, all employees

LINCOLN AND NATIONALITY

of the Federal Reserve Bank System, were also excepted from the Civil Service Law.

To appreciate this slaughter of the Civil Service at the hands of the President, it should be remembered that at the time of his election he was the Vice-President of the National Civil Service League; and, also that the paragraph in the Tariff Bill excepting all income collectors was carried in the House by *only four votes*, notwithstanding the fact that the Democratic majority was 147 over all. A mere suggestion from the President would have defeated this infamous piece of treachery and perfidy by a large majority; but no, he acquiesced with delight, because he could do business with the proceeds this exception procured. He therefore not only encouraged, but he himself personally consummated, this raid upon the Civil Service when he signed the bill.

Again, in the Diplomatic Service, Secretary Bryan has been efficient only in finding places for "Deserving Democrats," such as Sullivan, Minister to San Domingo. Taking the situation as a whole, the Civil Service has been literally gutted by these place-hunters, these legislative merchants.

The comment expressed in resolutions by the National Civil Service League, of which Charles W. Eliot is president, is conclusive as to the good faith of the President. It says:

"This proposed legislation is an attempt to secure patronage at the expense of the merit system, and is contrary to the Civil Service plank in the platforms of the three great parties. We therefore ask your assistance in preventing any such spoils raid. . . .

"Early in the special session of Congress other signs of the determination to overthrow the merit system showed themselves.

"The one great regret we have to express is that in the nomination of Ministers abroad the President has in many places displaced experienced diplomats with men of no experience,

NATIONAL ISSUES OF 1916

in some cases apparently distributing these posts as political rewards."

The question is not, could the President have done any better, but could he possibly have done any worse?

Then to crown his audacity in plundering the Civil Service, and practically, so far as he was able, effacing it from the statute books, he had the effrontery to attach this addenda to his approval of one of these bills:

"My warm advocacy and support, both of the principle and of the bona fide practise of Civil Service reform, is known to the whole country, and there is no danger that the spoils principle will creep in with my approval or connivance."

In the face of these facts, are not these words the very quintessence of hypocrisy? In the face of these words are not these acts the very embodiment of perfidy?

DESTRUCTION THROUGH THE IGNORANCE OF DEMOCRATIC PRESIDENTS

In his letter of acceptance the President indulged in this language:

"The Democratic Party is not a destructive party. We are not at enmity with the rights of our citizens; all are our countrymen. We are not recklessly heedless of any American interests, nor will we abandon our regard for them."

As a matter of historical interest it is curious to note the striking coincidence between this assurance of the President and the following extract from the letter of acceptance of Grover Cleveland:

"We believe the adjustment of the Tariff can be made in accordance with the principles we propose without disaster or demolition."

Considering with what deadly effect both of these

LINCOLN AND NATIONALITY

Democratic Presidents made their *very moderate* changes in our tariff, it recalls that old piece of innocence, that idiotic innocence, that deadly innocence: "*I did not know that it was loaded.*"

Owing to changes made in the Tariff Bill, sewing-machines were put upon the free list, and as a result, just one-half of the employees of this industry in Elizabeth, or more than 4,000 of them, are now on the streets.

Before the Underwood Bill was passed the pay-roll amounted to \$130,000 per week. To-day it is just one-half, or \$65,000 per week, reducing the amount to be expended in that city in a single year by more than \$3,300,000. And this is the story of nearly every industry in the country,—the measure of injury varying according to the circumstances.

But in one instance, that of the sugar industry, the business has been completely ruined, and these words uttered by Mr. Edward S. Broussard, at an indignation meeting, record some facts and explain how the President captured the sugar vote:

"The Democratic Party of Louisiana has never been a Free Trade Party. President Wilson became a convert to free sugar after his election, in direct violation of his promises to our people. . . . And, what is the result of Wilson's sugar policy? . . .

"And the effect,—it is that since January 1, 1914, twelve beet factories have closed out, and forty-two Louisiana sugar refineries have closed their doors."

At the same indignation meeting William C. Peterson said:

"This is not a matter of politics; it is a matter of business. The people of our Third Congressional District can no longer allow empty sentiment to take the place of common sense. You have seen the business depression. You have noticed in the papers the property advertised for sale for taxes. Look at your bank statement. All of us know something has hap-

NATIONAL ISSUES OF 1916

pened to Louisiana. I did not do it. You did not do it. I say Woodrow Wilson did it."

DEMOCRATIC PLATFORM PROMISES

Let us pluck one or two more sweet-scented flowers from the rose-garden of Democratic promises:

"We denounce the profligate waste of the money wrung from the people by oppressive taxation through the lavish appropriations of recent Republican Congresses, which have kept taxes high and reduced the purchasing power of the people's toil. We demand a return to that simplicity and economy which befits a Democratic government and a reduction in the number of useless offices, the salaries of which drain the substance of the people."

Useless offices, mark you.

With all the possibilities of promises exhausted, yes, literally bankrupted, and with this delightfully fragrant blossom dangling right under your very nose, these political pirates have played the very old three-card monte game to the very limit, for after making allowance for all reductions they have created 7,033 additional offices in "places for deserving Democrats," and increased the pay-roll \$7,767,595. "Now you see it and now you don't see it," but they have never lost sight of their twentieth-year chance. We have the seventeen-year locusts and the twenty-year Democrats. They are both destructive and both abhorred; but the locusts are messengers of peace, plenty and prosperity compared with these pests of pelf, plunder and poverty.

"We commend the Democratic House of Representatives for extending the doctrine of publicity to recommendations, verbal and written, upon which Presidential appointments are made."

Would it not be interesting and amusing, though probably disgusting, and possibly appalling, to read the

LINCOLN AND NATIONALITY

recommendations in favor of Pindell of Peoria, Minister to Russia for only twenty minutes, as well as the recommendations in favor of Sullivan, Minister to San Domingo, who has furnished us the most reprehensible record of any Minister of this government in the history of its Diplomatic Service? Has anyone ever seen or heard of a single, just one, lone recommendation of either of them or of any other appointee?

And this delightfully fragrant pledge that Bryan conceived and put through with the purpose of cutting the throat of the nominee of the Convention.

“We favor a single Presidential term, and to that end urge the adoption of an amendment to the Constitution making the President of the United States ineligible for reelection, and we pledge the candidates of this Convention to this principle.”

Has the President been so busy making appointments that he has not yet found time to comply with the first of these pledges? Is it possible that he is going to deliberately break the second? That is the question.

PANAMA CANAL

Another most striking example of the liberty the President takes with his solemn pledges as a candidate is found in the gift of the Panama Canal to Great Britain in particular, and to the rest of the world in general.

When he became President there was on the statute books a law exempting our vessels engaged in the coastwise trade from the payment of tolls for passing through the Panama Canal.

The Democratic platform contains these words:

“We favor the exemption from tolls of American ships engaged in coastwise trade passing through the Canal.”

Now I am one of those who believe that the words of the Hay-Pauncefote treaty mean just what they say in an ordinary common-sense way; just in a horse-sense way; and I believe that an exhaustive examination of the history of the whole case from the beginning, including the Clayton-Bulwer treaty, to the end justifies precisely the same conclusion, and that is,—that we made the rules for all nations *except ourselves*. For you must remember and keep this steadily in mind, that *the United States alone*, and not in conjunction with Great Britain, nor in conjunction with any other power, *made the rules*.

Secretary Hay, in his statement to the Senate Committee on Foreign Relations, said:

“The whole theory of the treaty is that it (the Canal) is to be exclusively the property of the United States and is to be managed, controlled and defended by it. . . . The United States alone is the soul owner of the Canal, and as a purely American enterprise adopts and prescribes the rules by which the use of the Canal shall be regulated.”

Now note the reading of these rules made by the United States, alone, without consulting with any other nation, and ask yourself whether it is possible that the United States made these rules for itself:

“The Canal shall be free and open to the vessels of commerce and of war of all nations observing these rules on terms of entire equality.”

Do you believe that the United States included itself in that rule as one of the “all Nations” after you have read the third rule which the United States made for “all Nations”?

“Third: Vessels of War of a belligerent [now, suppose that the United States was one of the belligerents] shall not revictual nor take any stores in the Canal, except so far as may be strictly necessary; and the transit of such vessels

LINCOLN AND NATIONALITY

through the Canal shall be effected with the least possible delay in accordance with the regulations in force, and with only such intermission as may result from the necessities of the service."

Did you not suppose, as I did, that one of the prime motives, indeed the chief concern, to the United States, was to be able to do the very things which this rule prohibits "all Nations" from doing if they are belligerents,—namely: "revictual" and "take stores"? I had supposed and I still believe that the Canal and the Great Lake created there were to be the rendezvous for the Navy. Do you not believe that now? If you happen to be one of those in whose mind a doubt lurks, then read the fourth rule, which remember was made by the *United States alone*, without consulting any other nation.

"Fourth: No belligerent [now suppose that the United States was one of the belligerents] shall embark or disembark troops, munitions of war, or warlike material, in the Canal, except in case of accidental hindrance of the transit, and in such case the transit shall be resumed with all possible dispatch."

I had supposed—had you not?—that one of the chief reasons for the vast expenditure was that the United States could use it for military purposes. But if this were true, the fifth rule would preclude the United States from any more use of the Canal than any other nation, if the United States was one of the belligerents and was included in the "all Nations."

"Fifth: The provisions of this article shall apply to waters adjacent to the Canal within three marine miles of either end. Vessels of war and belligerents [now suppose that the United States was one of the belligerents] shall not remain in such waters longer than twenty-four hours at any one time, except in case of distress, and in such case shall depart as soon as possible, but a vessel of war of one belligerent shall not depart within twenty-four hours from the departure of a vessel of war of the other belligerent."

NATIONAL ISSUES OF 1916

That is, the United States could not pursue the battleships of its enemy until they had twenty-four hours' start.

Now tell me, if you can, how the United States could defend this Canal if it could not revictual or take any stores in the Canal or get within three miles of either end of it, and could not, in accordance with rule four, embark and disembark troops, munitions of war or war-like materials in the Canal? And could not start after its enemy until he had at least twenty-four hours' start.

You must remember that the land where this Canal is located is the property of the United States; that the Canal has been built out of taxes paid by the people of the United States,—paid by you,—and it is the duty of the government of the United States to protect and defend this Canal, at its own expense, and at whatever cost of American lives.

Can it be possible that the privileges of this Canal, inherent in the ownership of the property and the duty of the government to defend it, are not the privileges of the people of the United States?

Is it possible that we are to pay for the passage of one of our own battleships through the Canal, even though its passage through the Canal is for the express purpose of defending the Canal? And to pay the passage of a transport taking our own troops through the Canal for the express purpose of having them defend it?¹

Are we to pay the tonnage charges when American vessels go through the Canal carrying goods, although foreign countries have rebated all such charges by granting their shipping lines subsidies for that express purpose?

¹The views here expressed have the support of Hon. David Jayne Hill, who was First Assistant Secretary of State under Secretary Hay during all the time the negotiation of this treaty was going on, and therefore we are justified in believing that these were the views of Secretary Hay himself.

LINCOLN AND NATIONALITY

Any sensible government would meet such a contingency by allowing its own vessels to go through free; or, if necessary, by granting them a corresponding subsidy. But how would a Democrat, how would the President, who has committed this country to the regular tonnage charges, and who pretends, at least, that he has an utter abhorrence of every form of subsidy, meet this to him insuperable difficulty? He would not meet it, because it is a practical question and must be met in a business way. The fact is the Democratic Party does not know how to do business. It is always fooling the American people by telling them how to make something out of nothing. But, it has always, when given the opportunity, without a single exception, invariably made nothing out of something.

Away with all such folly. Away, too, with all the authors of such folly. Let the administration of this government,—the greatest business enterprise in this world,—be placed in the hands of men of common sense; men who “have been in business”; men who have been seasoned by experience. Let us have something more substantial in the administration of our national affairs than the Aurora Borealis of shimmering, senseless sentences, born of exploded theories and a sickly sentimentality.

I feel confident, indeed I know, that when the American people get a chance to express themselves upon this great question, it will not be with a doubtful majority.

Now note these facts,—first, that this Canal was free to American coastwise vessels at the time the Democratic Party came into power; second, that the Democratic platform declared it should remain free; and third, that Mr. Wilson, when a candidate for the Presidency, declared himself unequivocally for the exemption of the Canal to American coastwise vessels. Of course, Mr. Wilson had looked into this question, student that he is, and had satisfied his own mind; for he took one

whole afternoon at Washington Park, New Jersey, to convince his auditors, the farmers of New Jersey, of his intense interest in them, and of the great advantage a free canal would be to them, closing his speech not only with a pledge to the exemption of the Canal of all charges to American coastwise vessels, but to an unqualified and wholesale pledge to every plank in the Democratic platform from top to bottom, in these words:

“Our platform is not molasses to catch flies; it means business. It means what it says. It is the utterance of earnest and honest men, who intend to do business along these lines, and who are not waiting to see whether they can catch votes with those promises before they determine whether they are going to act on them or not.

“They know the American people are now taking notice in a way in which they never took notice before, and gentlemen who talk one way and vote another are going to be retired to very quiet and private retreats.”

Yet, notwithstanding his party's pledge and his own personal pledge, upon which and largely because of which he was elected, he went before Congress, and in a special message, dealing with no other subject, asked for the repeal of this exemption of our coastwise vessels, closing his address with these ominous words:

“I shall not know how to deal with other matters of even greater delicacy and nearer consequence, if you do not grant it to me in ungrudging measure.”

Does it not look as though these words which might be pregnant with any possible, any conceivable, any imaginary calamity, were used by the President to stam-pede Congress, and the American people as well, by filling them with fear and apprehension?

Is it possible that any prudent President, who was really confronted with an actual situation that justified such language, would have brought it before Congress in this way? Can anyone believe if the suggested

LINCOLN AND NATIONALITY

danger was so great and so near, that any prudent President would have published it to the world in that way?

Was not the use of these words a most flagrant abuse of that confidence which the people delight to repose in their President?

Was not the real reason, the one given out by the Secretary of State, and by the President himself subsequently, when they both said, almost in the same breath, that the plank in the preceding paragraph of their platform declared against a subsidy of any kind; that this exemption in favor of American coastwise vessels was a subsidy to American ships; and that as between the two planks, there being a contradiction, they would stand by the former, which was in strict accord with Democratic principles,—that is with the Confederate Constitution? It was in fact just a case of Free Trade run mad. That is all.

THE PRESIDENT'S INCONSISTENCY

The most surprising and appalling mental somersault of the President was the declaration in his Annual Message, December 2, 1913, in favor of a national primary law for the popular nomination of Presidential candidates by a direct vote without any regard whatever to State lines or to delegates to national conventions, although his own party had declared in its platform that legislation "in each State" should be promoted, and that the "selection of delegates and alternates made through a primary election conducted by the party organizations in each *State*" should be the method of nominating Presidential candidates. Not only that, but the President's proposal necessarily involves an amendment to the Constitution.

If there is one thing more dear to the Democratic

heart than any other, it is the eternal recognition of the *States*,—States' rights. Hence the greater was the surprise at this declaration of the President, which was not only in direct conflict with, yes, in utter defiance of the platform upon which he was elected, but in utter defiance also of that holy tradition of the so-called Democratic Party,—States' rights.

However, it was left to the President to exhibit his greatest mental alacrity and his greatest moral facility, on December 8, 1913, just six days after he had proposed this radical and revolutionary change in the method of nominating Presidential candidates, for which there was no authority whatever in his party platform, and none anywhere except in an impulse of his "reckless enthusiasm," when the President, while addressing a delegation of fifty-five women, headed by Dr. Shaw, used this language as a fence or way of escape from stating his position upon the Women's Suffrage question:

"I want you ladies, if possible—if I can make it clear to you—to realize just what my present situation is. Whenever I walk abroad I realize that I am not a free man; I am under arrest; I am so carefully and admirably guarded that I have not even the privilege of walking the street. That is, as it were, typical of my present transference from being an individual with his mind on any and every subject to being an official of a great government and incidentally, or so it falls out under our system of government, the spokesman of a party. I set myself this very strict rule when I was Governor of New Jersey, and have followed it as President, that I am not at liberty to urge upon Congress in messages policies which have not had the organic consideration of those for whom I am spokesman. In other words, I have not yet presented any legislature my private views on any subject, and I never shall, because I conceive that to be part of the whole process of government, that I shall be spokesman for somebody, not for myself.

"When I speak for myself I am an individual; when I speak for an organic body I am a representative. For that reason,

LINCOLN AND NATIONALITY

you see, I am by my own principles shut out, in the language of the streets, from 'starting anything.' I have to confine myself to those things which have been embodied as promises to the people at an election. That is the strict rule I set for myself."

Again, did the President wait for a mandate from his party before attempting to commit this government to State socialism by driving us into the most dangerous of all business ventures,—the government ownership of vessels when all the world was at war?

Reprehensible as such glaring, such appalling inconsistency is, there are some things that are even worse than such inconsistency. Indeed, such inconsistency is a rare jewel compared with some other things; but the great respect due from every loyal citizen of this Republic for the highest office in this world, the Presidency of the United States, now occupied, by accident, by Woodrow Wilson, forbids a recital of the incidents connected with his efforts to secure the confirmation of Thomas D. Jones as a member of the Federal Reserve Board. We all recall how blushes of shame at first mantled our cheeks and then fled away, leaving them blanched while we averted our faces and hung our heads in deep and regretful humiliation.

THE RECALL OF WILSON

On the first Tuesday after the first Monday in November, 1916, the American people will remember what the President said at Washington Park, N. J., August 15, 1912, in speaking of public officials:

"They know the American people are now taking notice in a way in which they never took notice before, and gentlemen who talk one way and vote another are going to be retired to very quiet and private retreats."

NATIONAL ISSUES OF 1916

The American people will remember that Mr. Wilson, contrary to his pledge, has compelled American coast-wise ships to pay tolls when passing through the Canal. They will remember that he promised to reduce the high cost of living, but that it has risen; that he promised to protect the Civil Service, but that he has done practically everything in his power to destroy it; that he promised to lower appropriations, but that he has increased them by nearly \$100,000,000 a year; that he promised to reduce taxes, but has increased them in every possible way; and that he promised not to be a candidate, but is one. They will remember that the Wilson Underwood Tariff Bill should never have been passed; that his bank act should never have been passed, and that his ship purchase bill should never have been even thought of, particularly under the most extraordinary conditions existing today.

They will remember that he destroyed every semblance of government there was in Mexico and thus brought on that unfortunate country a state of universal anarchy; and that he then deserted all American citizens to their fate, however sad and tragic.

They will remember that his "New Constitution of Business" is nothing but the old exploded and worn-out trammels of trade, and that his "New Freedom" is nothing but old, old slavery,—first competition with slave labor at home, now competition with slave wages and slave conditions throughout the world. And the American people, remembering all these things, will say with an overwhelming majority:

"You have done those things which you ought not to have done, and you have left undone those things which you ought to have done, and there is no health in you."

And then upon the four walls of the heavens they will hang in letters of living fire the single word that decorated the walls of Belshazzar's feast: "Tekel," in the

LINCOLN AND NATIONALITY

North, "Tekel," in the South; "Tekel," in the East; "Tekel," in the West: "Thou art weighed in the balances, and thou art found wanting."

RETURN OF REPUBLICAN PARTY

The Republican Party will return to power, and it is one of the most remarkable facts of all history that it will be called upon to do precisely the same fundamental, constructive work that our forefathers had to do in 1789, and for identically the same reasons. But the problems will have to be worked out again, in the light of the conditions of today, and of the experience of one hundred and twenty-five years under the Constitution.

The Republican President will immediately call Congress together to pass a Protective Tariff measure, as Washington did in 1789; to establish an American merchant marine as Washington did in 1789, and to organize an American banking system as Washington did in 1791.

And that Congress should not adjourn until this great work is achieved, because this government today needs above all else a complete economic system that will make it not only possible, but certain, that we shall do our own work.

This wise and patriotic purpose received the approval of Thomas Jefferson himself, for he said:

"I contend that it is necessary for us to supply our wants to the fullest extent that the climate, soil and physical conformation of our country will permit, and to seek in foreign countries only such articles as can be produced here without greater expenditure of physical and mental force than is required in the production of like articles elsewhere."

This was the political religion of William McKinley, the apostle of protection who uttered these wise and salutary words:

NATIONAL ISSUES OF 1916

“The things we cannot make for ourselves or produce for ourselves we must buy elsewhere, and therefore we want no tax upon them; but it is economy for our people to buy from each other the things we can produce among ourselves and for ourselves; and if the foreign producer wants to enjoy any part of this market, he must be subject to the terms we shall fix in the interest of our own countrymen. That is the principle of protection. That is the doctrine of patriotism. That is the principle of our country first, and our countrymen first. That is the principle of home and family. That is the doctrine of true Americanism.”

This same principle of interdependent service, of mutual aid and national cooperation was the source of the marvelous proficiency and almost matchless efficiency of the German nation, whose economic policy was expressed in these ten commandments of their business life.

GERMAN COMMANDMENTS

1. In all expenses keep in mind the interest of your own compatriots.
2. Never forget that when you buy a foreign article your own country is the poorer.
3. Your money should profit no one but Germans.
4. Never profane German factories by using foreign machinery.
5. Never allow foreign eatables to be served at your table.
6. Write on German paper with a German pen and use German blotting-paper.
7. German flour, German fruit and German beer can alone give your body the true German energy.
8. If you do not like German malt-coffee, drink coffee from German colonies.
9. Use only German clothes for your dress and German hats for your head.
10. Let not foreign flattery distract you from these precepts; and be firmly convinced, whatever others say, that German products are the only ones worthy of citizens of the German fatherland.

LINCOLN AND NATIONALITY

There is a traditional story in which Abraham Lincoln is reported to have expressed his views upon the tariff in his own peculiar and most telling way. He said:

“I do not know much about the tariff, but I do know one thing: that if we buy our rails abroad we get the rails and they get the gold; but if we buy the rails at home we get the rails and we keep the gold, too.”

Then let our shibboleth be: “American markets for American workingmen.” Let our password to American markets be, “Made in America.” Let our merchant marine again cover the seven seas. Let our shipyards, as they once were, again become the market of all the ship-buyers of the world. Let the bills of exchange that are most sought after in every trading port on the globe bear the impress of the American Eagle instead of the impress of the Lion and the Unicorn.

PROTECTION

Precisely as when William McKinley became President, let another Protective Tariff law throw its ægis over American labor, American manufactures and American agriculture. Let it be distinctly and forever understood everywhere that the Republican Party is not a Low Tariff Party, nor a High Tariff Party, but is simply and truly a “Protective Tariff Party”; and that it is in favor of such tariff duties as will protect American industry in all its manifold forms. “Made in America” has been the fixed policy of the Republican Party from the hour of its birth.

Our country is so vast in territory, our natural resources are so ample, our climate is so varied, and the mental and manual facility of our population is so universal in its possible utility, that we can only hope

NATIONAL ISSUES OF 1916

to enrich the nation to the largest possible degree, and to secure the highest measure of happiness to our people, by safeguarding every field of industry to American genius.

OUR GREATEST RESOURCES

Marvelous as are our agricultural productions, enormous as is our mineral output, and great as are our timber interests, the chief resource of our country resides in the inventive genius and mechanical skill of the people; and therefore the presence everywhere of an opportunity for every man to follow his aptitude, the calling in which he can capitalize his talents at the very highest point of human efficiency, is essential. For only under such circumstances can each individual citizen be of the highest possible value to himself, his family and his country, and become the most valuable possible unit in the social and political organism of the State. It is not a question of reducing him to the lowest level of productive power by forcing him into competition with men of lower, and still lower levels, until you reach the lowest; but a question rather of raising him to the very highest point of productive power of which he is capable, thereby correspondingly increasing his earning capacity, which is the measure of his contribution to our national wealth,—as well as the measure of his capacity to enjoy the refinements of life.

DIVERSITY OF DOMESTIC INDUSTRY ESSENTIAL

In our country more than in any other in the world, because of the vast extent of its territory, its variety and almost boundless natural resources, and the genius of its people, it is necessary to broaden and combine the field of human endeavor by bringing the factory to

LINCOLN AND NATIONALITY

the farm as much as possible, thereby giving to each of our citizens a maximum return for services rendered, through eliminating all possible waste due to transportation, as well as the expense of successive and unnecessary middlemen. What is true of domestic conditions is still more true of foreign market relations.

Today, owing to nearly fifty years of a Protective Tariff policy, 13,624,000 persons are engaged in agriculture, animal industry, forestry and mining, and they produce values amounting to \$13,250,000,000; while 13,297,000 persons, using these materials, produce \$27,000,000,000 in values, thus making our total domestic market more than \$40,000,000,000, far and away the best market in the world. Indeed it is equivalent to one-third of all the markets of the entire world, and equal to that of England, France and Germany combined.

The highest statesmanship and the wisest economy bid us maintain so far as possible an equilibrium of all our industries to secure complete industrial independence, shipping abroad only our excess after supplying our own markets. This policy springs from the highest wisdom because all the exports of the world outside of those going from the United States do not exceed forty per cent of our domestic business, and are therefore of little consequence compared with our home market.

The course of wisdom, the course of duty to ourselves as a nation, and to the individual citizens of this Republic, are plain and clearly defined, and involve questions that were not present in the problems confronting the first Congress in 1789; because it is not only a question of political independence, which involves the State alone, and of industrial independence, which involves the nation and the productive powers of our citizenship, but also of the wisest and largest possible use of our mental capacity, our only inexhaustible

NATIONAL ISSUES OF 1916

resource, and of social conditions which involve the character of our citizenship chiefly, if not entirely.

PROBLEMS TO BE MET AND SOLVED

Mark this, and note it well, and do not ever forget it, that a very large part of all that is now manufactured, possibly more than eighty per cent, is the product of machinery, and that by the transmission of thought and the transfusion of power, the world has been made economically, essentially one. Any machine will run just as well, just as regularly and just as fast in England, France, Germany, Russia, Japan, India, China or in any other climate as right here in the United States, and anyone, anywhere in the world, can watch a machine just as closely and produce just as much in a single hour in any other country as here in the United States. Now, note also that if one of these machine watchers should work twice as long every day, and get only one-half the wages paid to the American workingman, the American workman, working only eight hours a day, will be beaten by four to one, before he even starts. The foreigner, too, may get only one-quarter of the wages, possibly only one-tenth of the wages paid here to those who are employed in identically the same kind of labor.

Slowly, but as certainly as time proceeds, we are coming in this country to a National Child-labor Law, to a Woman's Work-hour Law, to a National Eight-hour Labor Law.

Assuming that these conditions were established, and that \$100,000,000 worth of goods lay in New York harbor, the product of foreign prison labor, shall they be admitted free? We do not permit prison-made goods in this country to come in competition with our labor. Suppose that \$100,000,000 worth of goods made by

LINCOLN AND NATIONALITY

child labor are asking admission at our ports. Remember 50,000 children under fourteen years of age are employed in the industries of Italy at ten cents a day; that 60,000 children are employed in the industries of Japan at seven cents a day; that more than 60,000 children are employed in India at five cents a day. Are you going to admit these goods to compete with American labor, or shall they be kept out? Suppose the goods are made by men working fifteen hours a day, are such goods to be admitted?

Are all goods to be admitted free under whatever conditions they are manufactured? If not, how are you going to keep them out?

These problems are practical. They are concrete and must be met as physical, social and moral questions. Professor Huxley has well and truthfully said:

“A population whose labor is insufficiently remunerated must become physically and morally and socially unstable; and though it may succeed for a while in industrial competition by reason of the cheapness of its production, it must in the end fall, through hideous misery and degradation, to utter ruin.”

When the free-trader determines to remove the last bar between domestic and foreign labor, he starts upon a policy of leveling American conditions down to the lowest conditions of the world. While the protectionist, on the other hand, starts to fix standards of living that have as their object the liberation of labor from slave conditions. It is wholly immaterial whether the goods that demand admission are the product of prison labor, child labor or any other conditions of labor that will destroy our standard of living, as expressed in 1912 in better food, better clothing and better shelter, a protest should be expressed in a Protective Tariff that would save us from the degradation of our labor to a slave

NATIONAL ISSUES OF 1916

condition, either because the hours of labor are ruinously long, or the wages paid are at a starvation point.

NEW PROBLEMS

New questions of great consequence are crowding to the fore in our national life. Today it is not only political independence, for we have now enjoyed that more than a century; nor is it only industrial independence which was the central idea, if indeed not the chief, the only purpose when a more perfect Union was effected and the Constitution was adopted. Today practically the whole urgent, exigent problem of government centers about the individual citizen and his social status.

Everywhere laws are being advocated to secure proper motherhood in the nation; everywhere precautions are being taken to prevent the depletion of the resources of childhood, so that our manhood may be the best and worthy of the ideals of the nation. The purposes of the people are no longer inchoate, but well defined, and their determination already well advanced. Indeed, the character of our citizenship may now be fairly considered the chief end of our government:

“What constitutes a State?
Not high-raised battlements or labored mound,
Thick wall or moated gate;
Not cities proud with spires and turrets crowned;
Not bays and broad-armed ports,
Where, laughing at the storm, rich navies ride;
Not starred and spangled courts,
Where low-browed baseness wafts perfume to pride;
No; men, high-minded men.
Men who their duties know,
But know their rights, and knowing, dare maintain,
Prevent the long-aimed blow,
And crush the tyrant while they rend the chain;
These constitute a State.”

LINCOLN AND NATIONALITY

The development and elevation to the highest possible degree of all the people then should be the all-controlling aim of the nation.

LINCOLN'S SENSE OF JUSTICE

Hardly shall we have worked out the highest possibilities of the citizen, his social status as a unit, than shall we be met with the ethical problem of his relation to the products of his labor; and, in the process of time, moving safely, sanely, but surely along the lines of evolutionary government, we shall come to appreciate what Lincoln said the office of "any good government" was. He said:

"But it has so happened in all the ages of the world, that some have labored, and others have without labor enjoyed a large proportion of the fruits. This is wrong, and should not continue. To secure to each laborer the whole product of his labor, or as nearly as possible, is a worthy object of any good government."

How absolutely, right, justice and human sympathy ruled the soul of Abraham Lincoln, and how deeply he felt the injustice and wrong that had immemorially prevailed in the distribution of the products of labor, is finely expressed in these words:

"That is the real issue. That is the issue which will continue in this country when these poor tongues of Judge Douglas and myself shall be silent. It is the eternal struggle between these two principles, right and wrong, throughout the world. They are the two principles that have stood face to face from the beginning of time. The one is the common right of humanity, the other the divine right of kings. It is the same principle in whatever shape it develops itself. It is the same spirit that says, 'You toil and work and earn bread and I'll eat it.'"

NATIONAL ISSUES OF 1916

COOPERATION

During the next period of Republican rule I venture to express the opinion as well as the hope, that not only will we make great progress in humanizing the field of labor, but in obtaining a degree of justice in the distribution of the products of toil that is inconceivable from our present vision of the relations of labor to capital.

This sentiment, so simply but so strongly expressed by Lincoln, is taking a deep and firm hold upon a great majority of the business men of the country, and they are coming very rapidly, clearly, to appreciate their true relations to those who are in their employ: First,—that of an employer; second,—that of a trustee of those under them; third,—that of a trustee of the nation.

In a thousand ways and under ever-varying conditions this spirit of justice will disclose itself. But more particularly and concretely will it find expression in the formal methods prescribed by statutes which could become law only because of the approval of public opinion.

There will be an ever-increasing number of those who will receive bonuses, premiums, pensions and profit-sharing interests; while the principle of arbitration will become the universal method of adjustment of the differences arising between capital and labor; and cooperation, wherever applicable to the regular order of the commercial world, will steadily gain a larger and larger foothold until in the process of time we shall approximate justice in the distribution of the products of labor.

To me the most suggestive and significant fact throwing light upon this great problem is that before the present war broke out there were ten million people in Great Britain, one in every five, who were participants in the great cooperative societies of England and Scotland. One of these institutions has a capital of

LINCOLN AND NATIONALITY

one hundred and sixty-nine million dollars, a surplus of eighty-five million dollars, an annual business of six hundred million dollars, and a membership of two million six hundred and fifteen thousand. This society does business practically all over the world, and in nearly every line of trade. It is interesting to note that large business units lend themselves far better to successful achievement than smaller ones.

The curtain has now been lifted upon the horizon of the great possibilities in this direction and America must become the most fruitful field in this final movement in the approximately just distribution of the products of labor.

With the Protective Tariff so adjusted as to secure to every man, as nearly as possible, humanly speaking, the opportunity of making the most of himself, for himself and for his country, and such a universal system of cooperation as to insure a practically uniform distribution of the products of labor, the ideals of freedom and justice that ruled the soul of Abraham Lincoln may be realized very early in the coming time.

MERCHANT MARINE

But however great the advantages of a Protective Tariff are; however essential it may be to guard ourselves against a destructive avalanche of poverty, industrial slavery and comparative starvation expressed in the products of labor coming from countries where conditions are hard indeed and would not be tolerated here, we cannot afford to stop at the water's edge; but, we must be prepared ourselves to carry our excess production to every country where we can find a market. But what is of equal, if indeed not of still greater importance to the safety and general welfare of the country, is an adequate provision for "the common defense."

NATIONAL ISSUES OF 1916

So long as human nature remains what it has been for thousands of years, it is probable that men and nations will act, under the same circumstances, precisely as they have acted during all that time. Certainly ordinary prudence demands that this government should act upon no other assumption now. It becomes absolutely necessary under these conditions for this government to provide a "common defense" for this country. The isolation of our continental domain and its great distance from all the leading powers of the world is a most fortunate circumstance, for it at once determines in what our primary and chief defense should consist,—*An Adequate Navy*. A Navy commensurate with our national needs which are founded upon our relative importance and place among the potential nations of the world. But a Navy does not consist of dreadnaughts and cruisers alone, but of all the attendant ships necessary to make fighting craft efficient in the highest degree.

To build up their navies in particular, but their carrying trade also at the same time every single nation of any consequence is today spending large sums of money in mail contracts and subventions.

The aggregate amount paid by foreign nations in the form of subsidies, ocean-mail pay, navigation, and construction bounties, admiralty subventions, Naval Reserve appropriations, fisheries bounties, refund of Suez Canal tolls, and other forms of contribution, which directly or indirectly add to the volume of business under their respective national flags is upward of forty-six million dollars a year. The largest subventions are paid by England, France, Germany and Japan; indeed, thirty million of it goes to the shipping lines of these four countries alone.

We should fix differential duties in favor of ocean freight vessels, and should establish a shipping board whose sole and only business would be to look after the subject of the upbuilding of an "auxiliary to our Navy"

LINCOLN AND NATIONALITY

and a Merchant Marine, allowing it the use of a given sum annually for the purpose of promoting commercial relations in the outset, where they would give us a maximum return for the outlay and gradually extend our lines of trade to all the important trade harbors of the world. Any mail contracts or subventions should be made on these two conditions: First,—that the plans of the vessels should be subject to the approval of our naval board and available in case of war; second,—that the profits of the lines should not exceed a reasonable rate of interest, say six per cent upon the capital invested in the ships and an adequate sinking-fund to cover depreciation.

Our Merchant Marine should be built in American shipyards, and by American workmen. It should be owned by American citizens, and manned by American seamen.

Started upon the lines suggested, in twenty years we would be building ships as cheap as any country in the world; but this result can only be achieved through the extent and character of the work turned out and the consequent fact of standardization. If the United States government expects to have an "Adequate Navy" and to build up an American Merchant Marine worthy of this nation, the government must stand ready to cooperate and do its part by paying for what it gets.

Even Thomas Jefferson, the assumed founder of the Democratic Party, if it ever had a founder, was in favor of building all of our own ships in our own shipyards, for, in 1793, when discussing the importance of a Merchant Marine, he said:

"For a navigating people to purchase its marine afloat would be a strange speculation, as the mariner would also be dependent upon the merchants furnishing them.

"Placing as a reserve with a foreign nation, or in a foreign shipyard, the carpenters, blacksmiths, caulkers, sail-makers and the vessels of a nation, would be a singular commercial combination. We must therefore build them for ourselves."

NATIONAL ISSUES OF 1916

Again, speaking of the shipbuilding industry, Jefferson said:

“As a branch of industry it is valuable, but as a resource of defense, essential.”

But the Democratic Party of today is so completely obsessed with that prohibition of any government aid whatever, for any purpose whatever, found in the Confederate Constitution, that it would oppose with all its organized power any step on the part of the government to build up an “*adequate auxiliary*” to the Navy through mail contracts, and such subventions as might be necessary even though the government received full benefit for the money expended and the amount involved was not one-tenth of what it would cost the government to purchase such equipment outright.

ENOUGH OF THE DEMOCRATIC PARTY

Tell me, my countrymen, whether we have not already suffered far too much from the malevolence and ignorance of the Democratic Party? It was the dominant faction of the Democratic Party that sought to break up the Union in the interest of slavery. It was always the Democratic Party that has visited its periodic calamity and curses upon this goodly land through its Free Trade heresy that was conceived solely for the purpose of saving slavery. It was the Democratic Party that tried to drag down and destroy the credit of this nation by canceling our war debt with a fiat issue of “rag money.” It was the Democratic Party that again attempted to force the government to repudiation through its free-silver craze. It is the Democratic Party that has again paralyzed and destroyed American industry, bankrupted the Treasury, made commercial credit and our banking interests the football of politics, im-

LINCOLN AND NATIONALITY

periled the credit of the nation and would venture upon a sea of danger that causes every prudent man to protest and every sane man to tremble. Remember 1816, 1837, 1893, 1914, and forever beware.

Yes, beware of the Democratic Party, for from the day of its origin down to this very hour it has been a malevolent influence and destructive force in the life of this nation,—a veritable scourge and ever-impending curse. If it be true of nations as of individuals that “the Lord loveth whom He chasteneth,” and that the measure of His love is the measure of His chastisement, what a deep, what an intense, what an all-abounding, what an everlasting, what an inexpressible love He must have had for this country to inflict the Democratic Party upon it.

AN AMERICAN BANK ACT

I have pointed out already that the so-called Federal Reserve Act was a stupendous mistake from every point of view, and should be repealed immediately, and a right banking system,—“A truly American Banking System,”—adopted, that is one adapted to the peculiar conditions and particular needs of this country.

Our Anglo-Saxon system of laws has been the outgrowth of the practises and the habits of the people. A close study of American experience in banking discloses the fact that there are three distinct historical periods, each of which has made its own distinct contribution to a wise solution of the great problem confronting us.

In point of banking economics, not a single valuable suggestion has been made since Alexander Hamilton laid down the principle of the interconvertibility of bank-book credits and bank-note credits, and the current redemption of both upon demand in gold. To this one all-comprehending proposition must be added the de-

NATIONAL ISSUES OF 1916

vice of a bank note, uniform in appearance and universal value throughout the United States, illustrated by the national bank note and the organization of all of our Clearing-Houses into one unified and universal system.

Such a system would be in perfect harmony with every evolutionary step in American banking during the last one hundred and twenty-five years. It is in perfect accord at every point with the soundest principles of banking economics and is perfectly adapted to our peculiar conditions and particular needs. It will give us the most efficient, the most economical and the best banking system in the world, because suited and adjusted by long experience to the requirements of the greatest commercial nation in the world.

CONCLUSION

Today darkest midnight reigns over this great and goodly land. Now and then we catch a glimpse of a glimmering light, but it is only a reflection of the ghastly flashes of the deadly War beyond the sea!

Government by reason, enlightened and sanctioned by conscience, has been ended, and government by edict rules the land. Representatives and Senators alike blindly and slavishly bend their necks to the ruthless heel of King Caucus.

The people, the whole people, Democrats as well as Republicans, waiting impatiently, count the months,—yes, even the very days,—aye, and millions of unemployed men, hungry women and starving children are counting the very hours, so slowly and painfully dragging along,—when this tragedy in the life of this nation, this travesty on a Republican form of government, shall end.

Great and glorious things to be achieved await and beckon us on. The work to be done has been made

LINCOLN AND NATIONALITY

doubly difficult by the conditions born of tyranny and corruption.

Let us break asunder the chains of mental slavery, as Lincoln broke asunder the chains that bound the slave.

Let us, for the accomplishment of the great task we are called to do, look for inspiration and guidance to the immortal spirit of Abraham Lincoln.

Let us believe that from his home beyond the stars, Abraham Lincoln is watching over his people in their affliction, and awaits with infinite patience, but wistfully, the progress of his mission on this planet.

Let us feel that when we lift the curtain of this dreadful night with the welcome aid of opportunity, and the sunlight of hope and aspiration bursts upon us, Abraham Lincoln, too, will smile upon that glorious day!

Let us know that when, within the realms of the Union, which he saved, man has at last been made free to be himself in the highest and noblest sense, we shall receive the sacred benediction of the sainted soul of Abraham Lincoln; because of him, and him alone, "Government of the People, by the People, for the People," has not perished from the earth but in him found eternal life; for through him, and him alone, we have attained the true end of Government, the liberation of man and justice to man,—the crowning glory of our nationality, the very embodiment of the life and sacrifice of Abraham Lincoln.

III

ON A TARIFF COMMISSION

*Speech Delivered in the House of Representatives,
Friday, April 2, 1909*

TARIFF CHANGES BY EVOLUTION, NOT BY REVOLUTION

THE House being in Committee of the Whole House on the state of the Union and having under consideration the bill (H. R. 1438) to provide revenue, equalize duties, and encourage the industries of the United States, and for other purposes, Mr. Fowler said:

Mr. Chairman: While the Dingley Bill was still pending, in May, 1897, I introduced a measure for the establishment of a tariff commission, and sought to have it made a part of that measure. In the pursuance of its advocacy, I addressed a letter to the press of the country, urging its support; and, subsequently, on December 2, 1901, after fuller consideration, I introduced another measure to accomplish the same purpose, and wrote a second letter to the Members of Congress urging their favorable consideration. These two letters, in their order, read as follows:

May 22, 1897.

“MY DEAR SIR: Everyone now realizes, I think, that the American people of all sections, of all parties, of every calling, and of all classes, are tired and heartily sick of tariff tinkering

A TARIFF COMMISSION

and the consequent disturbance, if not actual destruction of all lines of business. What they need and most earnestly desire is an opportunity to engage in business with assurance that there will be no such radical changes as will destroy or even cripple any department of trade or commerce.

“Any tariff measure that will produce sufficient revenue to support the government under present conditions will, with the natural increase of population and the greater consumption incident to prosperity, bring us in a few years a hundred millions more revenue than will be required to meet expenses. It should not be taken from the people. It would naturally lead to national extravagance.

“How, then, shall we adjust our revenues to our actual needs? Shall it be by overhauling the whole subject again—every schedule down to the very last item? Certainly business prudence would require that our taxes be lowered gradually and removed from such articles as an intelligent and skilled commission would recommend. The changes should be so made as to result in an evolution, and not in a revolution.

“The taxes should be abated from year to year and taken from one schedule at a time. Hence the President, who is responsible for the proper administration of the government, with the recommendation of the tariff commission, ought to have the power to suspend any portion of the taxes and the country not be compelled to wait until the Executive, the House of Representatives and the Senate were in political conjunction, which might not happen for several years. They were not in conjunction from 1875 until 1889.

“That the President may suspend taxes, if that power were given him by Congress, was decided by the Supreme Court in *Field v. Clark* (143 U. S. Repts., 649), when the constitutionality of the reciprocity clause of the tariff act of 1890 was challenged.

“The duty of the commission to investigate all federal taxation and domestic and foreign conditions, and annually recommend changes calling for legislation, will make it a most valuable adjunct to a wise administration of our national affairs.

“Its establishment cannot do any harm, while it may prove the greatest possible blessing to the American people in secur-

NATIONAL ISSUES OF 1916

ing stability to our varied business interests and continued and equal prosperity to all sections of our common country.

“Very truly yours,

CHARLES N. FOWLER.”

“HOUSE OF REPRESENTATIVES,

“WASHINGTON, *November 24, 1902.*”

“MY DEAR Sir: On May 22, 1897, before the Dingley Bill was passed, I introduced a bill to establish a tariff commission, and at the same time addressed a letter, a copy of which is hereto appended, to the newspapers of the country.

“On December 2, 1901, after a fuller consideration, I introduced the inclosed bill, incorporating several additional powers, which, I am confident, may be exercised by a tariff commission greatly to the advantage and advancement of the public welfare.

“The union of commercial interests and the coordination of economical forces throughout the world have attracted much attention in recent years. The new order of things has given rise to apprehensions in many quarters lest the accumulation of power in corporate hands may result in danger, if not positive injury to the public interest. What should be the policy of the government under all the circumstances?

“First, I maintain that a broad intelligence is essential to wise action; therefore, before restrictive, and certainly before destructive, legislation is passed we should acquire the fullest information with regard to the evolutionary forces, not confined to our own country, by studying the phenomena produced and determining the advantages and disadvantages of the conservation of energy growing out of capital combinations.

“Secondly. I maintain that a tariff commission, created as proposed in the inclosed bill, incidentally possesses all the power necessary to obtain the requisite information to intelligently and wisely negotiate a trade treaty with any foreign country; therefore such a commission could compel witnesses to appear and testify.

“Thirdly. I maintain that since the preamble of the Constitution declares that that instrument was established ‘to promote the general welfare,’ and since Congress, among other powers and duties, is to ‘provide for the general welfare,’ Congress may create a commission whose duties are to see

A TARIFF COMMISSION

that the people living in the various sections of the country shall not be imposed upon by the distribution of worthless stock, and to that end that such commission may rightfully insist upon the fullest information with regard to all corporations at such times and in such form as it may prescribe; further, that such commission can protect the people against extortion practised by any corporation engaged in the manufacture of a protected article to the extent at least of giving to the public the fullest possible details with regard to the business of such corporation.

“Fourthly. I maintain that it is unreasonable to expect that we can go into the markets of other countries and sell our excess of productions to a degree that is ruinous to their industries without incurring hostility, which must lead to inimical legislation, tariff reprisals, and unfriendly relations. Such a result should be obviated; and we can only secure universal friendship after we have become aggressive competitors in the markets of the world by a system of reciprocal trade treaties mutually advantageous to the parties in interest; therefore I am in favor of a permanent tariff commission whose high office and important duty shall be to negotiate reciprocal trade treaties and work out tariff adjustments from time to time, as the business interests of the country demand. Very truly yours, CHARLES N. FOWLER.”

Again, early in December, 1908, I introduced a like measure which also provided for maximum and minimum rates and authorized the President to make trade agreements and enter into trade treaties between these limits as established by Congress.

Whatever may be the steps now taken in this direction, I am confident that our business relations with the rest of the world will in time demand the exercise of this power on the part of the Executive.

TARIFF BY EVOLUTION INSTEAD OF REVOLUTION

Production throughout the world is coming to be more and more a matter of exact science in discovery

NATIONAL ISSUES OF 1916

and development and of economy through the use of enormous aggregations of capital.

International commerce is coming to be more and more a matter of reciprocal negotiation.

In round numbers, the annual productions of the United States amount to \$25,000,000,000, of which nearly 10 per cent, or about \$2,000,000,000, are exported, while we buy from the rest of the world about \$1,250,000,000 annually. (See Appendix A for imports and exports from 1800 to 1908.)

The total imports of all the world, outside of the United States, are about \$13,000,000,000. Since we now sell to the rest of the world to the amount of \$2,000,000,000 and now buy from the rest of the world over \$1,000,000,000, it leaves a market of less than \$10,000,000, of which we desire to get more and more. (See Appendix B for imports and exports of all countries.)

It should be remembered in this connection that our home market, which lies within our own doors and is therefore exclusively our own, to be held without competition, to be given away for nothing, or to be traded off or exchanged to the advantage and profit of the American people, is just twice the amount of all the markets of the rest of the world for which every nation is a natural and legitimate competitor.

We shall succeed in our struggle for this foreign trade directly in proportion to the intelligence and enterprise we show.

First. In connection with the production, cost and market conditions of other countries as well as our own.

Second. In establishing a merchant marine to give us direct mail and transportation facilities with our natural customers.

Third. In developing American banking connections throughout the world, by which we shall get control of the goods and route them over direct American shipping lines

A TARIFF COMMISSION

Today, however, we are to confine ourselves to the first of these propositions: The intelligence and enterprise we show in connection with the productions, cost and market conditions of the rest of the world as well as our own.

From the passage of the first act of the American Congress, drawn by Alexander Hamilton and signed by George Washington, which was a protective tariff measure, for nearly a century and a quarter, we have had what Henry Clay was pleased to call "the American system," sometimes more pronounced, sometimes less, but always protective.

With the opening of the Suez Canal, steam navigation, the building of great railway systems, and as the result of many potential and far-reaching inventions and discoveries during the last fifty years, international commerce has grown to an extent and intimacy that makes it one of the most gigantic, intricate and important problems of the day.

Within these last fifty years all the countries of the world have adopted the protective policy, except free-trade England, and such commercially backward countries as Turkey, Persia and China.

After a brief interval of free trade which the German Empire inherited from the Zollverein in 1871, during which time German industries, more especially iron and textile, suffered greatly because hard pressed by English competition, the German government, under the leadership of Prince Bismarck, passed a protective tariff law in 1879. In urging its passage the "Iron Chancellor" used this significant language:

"The success of the United States in material development is the most illustrious of modern times. The American Nation has not only successfully borne and suppressed the most gigantic and expensive war of all history, but immediately after disbanded its army, found work for all its soldiers and marines, paid off most of its debt, gave labor and homes to

all the unemployed of Europe as fast as they could arrive within the territory, and still by a system of taxation so indirect as not to be perceived, much less felt. Because it is my deliberate judgment that the prosperity of America is mainly due to the system of protective laws, I urge that Germany has now reached that point where it is necessary to imitate the tariff system of the United States."

From the passage of this protective law by Germany may be dated the evolution of that condition of trade relations which now obtains throughout Europe and is destined to be developed still further there and throughout the world. This William McKinley foresaw and forecast in his last and most memorable address. He said:

"The period of exclusiveness is past. The expansion of our trade and commerce is the pressing problem. Commercial wars are unprofitable. A policy of good-will and friendly trade relations will prevent reprisals. Reciprocity treaties are in harmony with the spirit of the times; measures of retaliation are not.

"If perchance some of our tariffs are no longer needed for revenue or to encourage and protect our industries at home, why should they not be employed to extend and promote our markets abroad?" (Speech at Buffalo, September 5, 1901.)

By 1891 the countries of continental Europe with which Germany carried on trade had generally adopted the protective principle, and Germany found herself greatly hampered, especially since her own protective tariff had accomplished its work, and her industries were on their feet and looking for outside markets. To secure these the Imperial government entered into reciprocity treaties with Russia, Austria-Hungary, Italy, Switzerland, Belgium, Roumania and Servia which were to continue for a period of twelve years, terminating in 1903.

Since the words of Mr. N. I. Stone, tariff expert of the Department of Commerce and Labor, in describing the

A TARIFF COMMISSION

changes which occurred in Germany from 1879 to 1903 so aptly describe our own conditions, or are so prophetic of what they are certain to be, I cannot forbear to repeat them here. He said:

"In the meantime, however, great economic changes had taken place. The quarter of a century which lay between 1879, when the autonomous tariff was adopted, and 1904, when the conventional tariff was to terminate, witnessed the great decline of the agricultural and more than proportional development of the manufacturing industries in the scale of relative importance in the Empire. In 1879 the agrarian party was an ardent advocate of free trade, because Germany depended on foreign markets as an outlet for its excess of cereals and other farm products, while at the same time the agricultural population had to depend on British and French sources for its supply of cheap agricultural implements and other articles of personal use. By 1900 the situation had undergone a radical change. Not only had Germany ceased to be an exporter of cereals, but, owing to competition of the United States, Argentina, and Russia, were obliged to become importers of grain. The owners of large German estates found it impossible to compete with the cheap agricultural products, not only grain, but cattle and meats, raised on virgin soil with but a slight expenditure of human labor. The cry of 'protection' now came loudest from the agrarian camp, which also evinced great hostility to reciprocity treaties. In any event the demand was made for a revision of the tariff, for the purpose of not only greatly raising the duties on agricultural products, but also of making the increased protection safe from encroachment through the conclusion of new treaties.

"On the other hand, the manufacturers were for the most part satisfied with the existing duties, and were even willing to go to the extent of still further reductions if by so doing they could secure reductions in the tariffs of foreign countries. Both sides agreed as to the necessity of a thorough revision of the tariff before the expiration of the reciprocity treaties; the agrarians, because they wanted increased protection; the manufacturers and exporters, because they desired more scientific and up-to-date classification of commodities."

NATIONAL ISSUES OF 1916

The thoroughness which always marks the work of German scholarship was appealed to in this matter of the highest importance to the agricultural, manufacturing and commercial interests generally of the Empire. The government proceeded to prepare a tariff bill, not "under whip and spur," while business hesitated, waited and languished, but with a full knowledge and deliberation. It was not completed in four months, but its preparation consumed five years of labor on the part of a special commission of 32 representatives of the agrarian, manufacturing and commercial interests acting in cooperation with tariff experts of the treasury and other government departments, in addition to 2,000 trade and technical experts who were consulted by the commission from time to time.

The Tariff Bill which resulted from these labors was introduced in the Reichstag by the government early in 1902, and after ten months' deliberation—ten months, mind you—passed with some changes on December 25, 1902. It contained but one set of duties, with the exception of rye, wheat, barley and oats, for which both general and minimum rates were provided to prevent further reductions through reciprocity treaties.

This German revision is in bold contrast with our "haphazard," "catch-as-catch-can," "go-as-you-please," "hurry-up-and-get-through-with-it" method.

In bold contrast with the hurry, haste and slapdash which must mark the present revision of the tariff, owing to the unrest and urgent demands of business, I want to call your attention to the following fact:

About one year ago the press of the country demanded the removal of the duty on wood pulp. So persistent was the demand that a committee was appointed, consisting of six Members of the House, to investigate the subject of wood pulp. In pursuance of their duty, I am informed by one of the committee that they have actually spent at least four full months and taken about

A TARIFF COMMISSION

4,000 pages of testimony, and yet they have not completed the investigation as it ought to be made, since they are compelled to report during the present session of Congress.

Conundrum: If it has taken four months to partially investigate one single item in one single schedule, how long would it take to thoroughly investigate all the items in all the schedules?

I want to call your attention to a few articles which were selected by Senator Beveridge from the Dingley Bill, showing what changes were made in the Senate. The gamut of variation runs all the way from a high duty down to the free list, on one side, and up to an increase of 333 per cent on the other. When you remember that the majority of both the House and Senate committees was Republican, and therefore for the protective principle, can anyone doubt that guessing, wild guessing, was done somewhere?

DINGLEY BILL IN HOUSE AND SENATE

ARTICLE.	DUTY FIXED BY HOUSE COMMITTEE.	DUTY FIXED BY SENATE COMMITTEE.	DIFFER- ENCE.
			<i>Per cent.</i>
Borax.....	2 cents per lb...	5 cents per lb...	150
Borate of lime.....	" "	4 cents per lb...	100
Boracic acid.....	3 cents per lb...	5 cents per lb...	66 $\frac{2}{3}$
Fusel oil.....	$\frac{1}{2}$ cent per lb....	$\frac{1}{4}$ cent per lb....	100
Opium.....	\$6 per lb.....	\$8 per lb.....	33 $\frac{1}{3}$
Nitrate of lead.....	2 $\frac{1}{2}$ cents per lb..	1 $\frac{1}{2}$ cents per lb..	66 $\frac{2}{3}$
Phosphorus.....	20 cents per lb..	10 cents per lb..	100
Soda ash.....	$\frac{1}{4}$ cent per lb....	$\frac{3}{8}$ cent per lb....	50
Sea moss.....	Free list.....	10 per cent.....	.....
Unmanufactured pumice stone.	20 per cent.....	" "	100
Spectacles, eye-glasses, etc., of a certain value, but not over 75 cents a dozen.	25 cents per doz- en and 20 per cent.	40 cents per doz- en and 20 per cent.	a 60
Coral and spar.....	25 per cent.....	50 per cent.....	100
Railway fish plates or splice bars, iron or steel.	$\frac{1}{2}$ cent per lb....	0.4 cent per lb..	25

NATIONAL ISSUES OF 1916

DINGLEY BILL IN HOUSE AND SENATE—*Continued*

ARTICLE.	DUTY FIXED BY HOUSE COMMITTEE.	DUTY FIXED BY SENATE COMMITTEE.	DIFFER- ENCE.
			<i>Per cent.</i>
On certain knives.....	50 cents per doz.	Duty omitted....	
On other knives.....	75 cents per doz.	“ “	
Razors and razor blades of a certain value.	\$1 per doz. and 15 per cent.	50 cents per doz. and 15 per cent	<i>a</i> 100
On razors and razor blades of a different value.	\$1 per doz. and 15 per cent.	\$1.75 per doz. and 20 per cent.	<i>a</i> 75
Scissors and shears of a certain value.	50 cents per doz. and 15 per cent	15 cents per doz. and 15 per cent	<i>a</i> 633 $\frac{1}{2}$
Files of a certain length..	30 cents per doz.	50 cents per doz.	66 $\frac{2}{3}$
Files of a different length	60 cents per doz.	\$1 per doz.....	66 $\frac{2}{3}$
Planed or finished lumber	50 cents per M ft.	35 cents per M ft.	42 $\frac{5}{8}$
On the same, if planed on one side and tongue and grooved.	\$1 per M ft.....	70 cents per M ft.	42 $\frac{5}{8}$
Toothpicks.....	2 cents per M and 15 per cent	1 cent per M and 15 per cent.	<i>a</i> 100
Sugar-cane, unmanufac- tured.	20 per cent.....	10 per cent.....	100
Saccharine.....	\$2 per lb. and 15 per cent.	\$1 per lb. and 10 per cent.	<i>a</i> c100
Chicory root.....	1 cent per lb....	Free list.....	
Cocoa butter.....	6 cents per lb...	3 $\frac{1}{2}$ cents per lb..	71 $\frac{1}{2}$
Substitutes for coffee....	1 $\frac{1}{2}$ cents per lb...	2 cents per lb....	33 $\frac{1}{3}$
Still wines.....	60 cents per gal..	30 cents per gal..	100
Certain cotton cloth.....	8 cents per sq. yd.	6 $\frac{1}{2}$ cents per sq. yd.	23 $\frac{1}{12}$
Stockings, hose, etc., of a certain value.	50 cents per doz. pairs and 15 per cent.	60 cents per doz. pairs and 15 per cent.	<i>a</i> 20
Tow of flax, retted.....	\$22.40 per ton...	\$11.20 per ton...	100
Floor matings.....	8 cents per sq. yd.	4 cents per sq. yd.	100
Carpets of a certain value	6 cents per sq. yd. and 35 per cent.	10 cents per sq. yd. and 35 per cent.	<i>a</i> 66 $\frac{2}{3}$

a In the specific part of the duty.

b And 33 $\frac{1}{3}$ per cent in the specific part of the duty.

c And 50 per cent in the ad valorem part of the duty.

With all respect to the men, as men and individuals,
composing the Ways and Means and Finance committees,

A TARIFF COMMISSION

which formulate our tariff legislation, I want to call attention to these committees and the time they consume in the revision of our tariff by quoting what Senator Beveridge said in describing them and their work:

“For example, the Committee on Ways and Means of the House that framed the Dingley Bill reported that bill the 19th day of March, 1897, so they did all the above work in *less than four months*. The Committee on Finance of the Senate took this bill and reported it back the 4th of May, 1897, so the Finance Committee did all this work in *six weeks*.

“Again, the Committee on Ways and Means of the House that framed the McKinley Bill reported that bill the 16th day of April, 1890, doing the work in *less than five months*. The Committee on Finance of the Senate took this bill and reported it back the 17th day of June, 1890, so the Finance Committee did all this work in *two months*.

“Again, the Committee on Ways and Means that framed the Wilson Bill reported that bill the 19th of December, 1893, so they did all the work in *a little over four months*. The Committee on Finance took this bill and reported it back the 20th day of March, 1894, so the Finance Committee of the Senate did all this work in *three months*.

“For instance, I have a list here of the members of the Ways and Means Committee of the House of Representatives who framed the Dingley Bill.

“Mr. President, every member of that committee at that time, with two exceptions, was a lawyer; one was an editor and one was a wood manufacturer.

“Take the present Ways and Means Committee of the other House. A mere reading of their names and their occupations in the Congressional Directory will disclose to the Senate what admirable men they are as legislators; but it does not disclose that they are especially fitted by their life-work for economic investigation, because all of them but two are lawyers, one is a lumberman and one has no occupation at all.”

Three members of the present Ways and Means Committee, consisting of 19 members, who assisted in pre-

NATIONAL ISSUES OF 1916

paring the Tariff Bill are not Members of the House now, while 4 of the members of the Finance Committee of the Senate, consisting of 12 members, were not Members before March 4, 1909.

The commission charged with revision of the tariff in Germany took two years to revise the schedules, or in the work of classification alone.

In most of the important countries of Europe the tariff has been recently revised, not only with a view to changes in rates, but in order to provide a scientific system of classification of commodities based on modern industrial conditions. Recently Greece, little Greece, has appointed a commission composed of government officials, Members of Parliament, merchants and manufacturers, who are to report in two years a tariff bill.

While by no means all of the time of our Board of General Appraisers is taken up with questions of classification, it is one of its most important functions, and constitutes the bulk of customs litigation before the courts to which both the government and the importers frequently appeal from the decision of that body. This litigation, which keeps an army of judges, lawyers and government officials constantly busy, has cost millions of dollars to the government, many more millions to the people directly interested therein, and in the end must come from the pockets of the people. With the exception of the members of the bar hardly a single class in this community has been benefited by this unproductive waste of time and money. During the last current year 55,798 classification protests were received and 35,785 were decided, while the suspension files now number 60,353.

Is there a single business in the United States, amounting to \$100,000,000 a year; yes, \$50,000,000 a year; yes, \$10,000,000 a year; yes, even a quarter of that amount—that has not a body of expert men, costing as much as an expert commission would cost this govern-

A TARIFF COMMISSION

ment, doing nothing but reducing every factor of the business to a certainty, and refining every differential to a thirty-second or a sixty-fourth of 1 per cent?

Germany, with a foreign trade amounting to three billions, has applied this principle to her international commerce. All the countries of Europe, practically, except free-trade England, are doing the same thing. Our import and export trade has passed the three-billion mark. Is it not high time that we, too, should now imitate our imitators who have reduced foreign trade to an approximate science?

Mr. Root, whose services to his country has rendered the office of Secretary of State illustrious, said:

“In my judgment, the United States must come to a maximum and minimum tariff. A single, straight-out tariff was all very well in a world of single, straight-out tariffs, but we have passed on during the course of years into a world for the most part of maximum and minimum tariffs, and with our single-rate tariff we are left with very little opportunity to reciprocate good treatment from other countries, and with very little opportunity to defend ourselves against bad treatment.”

The tariff commission which I advocate provides the effective machinery by which this proposal can be carried out without shock or the slightest interference with the trade of the country, and yet the matter of legislative control rests entirely with the House and the Senate. (See Appendix C.)

Under the McKinley Act of 1890 provision was made for the imposition or suspension of certain duties upon given conditions. Mr. Blaine negotiated certain treaties in accordance with that provision which worked most advantageously, but the effect of the Wilson Bill destroyed them. The authority for the negotiation of the treaties was upheld by the Supreme Court of the United States in the case of *Field v. Clark* (143 U. S. Rept., 649). Sections 3 and 4 of the Dingley Bill grant in principle

all that I contend for. If the President can suspend all of any duty imposed, certainly he could suspend any part of the duty so imposed. Again, if the President can impose any given duty, certainly he could impose any part of such duty. In accordance with section 3 of the Dingley law the President has entered into a trade agreement with Germany, and the same is now in force and operation.

If Congress should declare to-day that the present tariff schedules should be the actual schedules, and at the same time fix maximum and minimum schedules as the boundaries within which an expert tariff commission, subject to the approval of the President, who is responsible for the revenue, could fix the actual duties to be paid, but that no such change should take place for a period of a year and a half after their promulgation by the President, this country would go forward by leaps and bounds.

Under such a system we would have tariff by evolution and not by revolution.

Should such a principle be adopted, no party could go before the country on a platform to abrogate it. Labor and the business interests would unite in its defense, for it would eliminate that unrest which must necessarily follow the success of a party clamoring for a revenue tariff instead of a protective tariff; for such a tariff system would soon be recognized as an advantageous trade tariff, and this would conserve the general welfare.

I do not speak as the representative of any party when I say that should the Democratic Party succeed in 1910 upon the tariff issue it would unsettle business interests generally; and the one worrying and disturbing question confronting every industry working under a degree of protection would be whether the Senate would likely become Democratic, whether the next President would be a free-trade Democrat.

A TARIFF COMMISSION

On the other hand, a permanent tariff commission of the very highest order and amply paid, with power subject to the approval of the President and within legislative limitations, would bring steadiness, stability and a broader, wiser and more lasting prosperity than a stereotyped tariff, even if its disturbance was not continually threatened by the success of the opposing party.

Again, the negotiation of trade treaties or conventional arrangements must necessarily become more and more the policy of international commerce. Germany now has such conventions with Russia, Austria-Hungary, Italy, Switzerland, Belgium, Roumania, Servia, Sweden, Bulgaria, Greece and the United States, while she has negotiations pending with other countries.

Mr. N. I. Stone, the tariff expert, says:

“Nor can there be any doubt that Germany has fared far better with her conventional system than France with her general and minimum tariffs. The experience of these two leaders among the nations of the European Continent, as well as that of their respective followers, has led to the gradual abandonment of the general and minimum tariff system practically all over Europe, with the exception of France and Spain, disregarding certain deviations from either by some minor countries like Norway and Greece.”

When we were negotiating the present commercial agreement with Germany, its government was represented by ten experts from the following departments: The commercial, political and consular division of the foreign office; the department of commerce in the imperial ministry of the interior; the Imperial treasury department; the Prussian ministry of finance; the Prussian ministry of agriculture; and the Prussian ministry of commerce. These commissions are usually composed of picked men. The personnel and their preparation for the treaty negotiations are treated as matters of the greatest importance and planned years in advance.

NATIONAL ISSUES OF 1916

The United States has a problem in this connection peculiar to herself. While all European countries grant to third parties the most favored rates granted to the contracting parties, the United States government, from the time of Thomas Jefferson down to this hour, has never extended to third parties the benefits of the most-favored-nation stipulations, insisting always that it has no application to reciprocity arrangements.

In other words, our reciprocal trade agreements, if the established policy of the government is to be pursued, must stand independently and alone. To work out a system of conventions with all the commercial nations of the world, however difficult and complex because of this fact, is nevertheless possible and highly important. Our problem is distinctly our own, but we have more, vastly more, to gain in the world's commerce than any other single nation.

Shall we take advantage of our opportunity or sit idly by, relying upon antiquated methods, while the more progressive countries sweep on to greater and greater conquests?

This is an age of understandings, agreements, unions, combinations and consolidations in production, trade and transportation—local, national and international; and the legal barriers imposed through ignorance and prejudice may harass and hinder and delay temporarily, but will not prevent them, for upon them the progress and life of modern trade depend.

There has been no time in the history of Anglo-Saxon liberty when the interpretation, development and adaptation of the common law to current conditions in the light of marvelous material changes has been so essential to human progress as now.

Therefore we should rely upon the conservatism and riper wisdom of our judiciary for those evolutionary adjustments of law to curb and regulate wrongs rather than upon temporary madness and political prejudice,

A TARIFF COMMISSION

from which spring revolutionary changes and destructive repression.

Let it be remembered, however, that this progressive coordination and union of material forces involves a great fundamental principle, which is inherent in the sovereign right of the people. That principle is this: That every legalized monopoly derives its authority and power from the people, and is, therefore, subject to control and regulation by the people for the protection of the people against the abuses of monopoly.

The once accepted axiom under the old conditions that "competition is the life of trade," has given place to an accepted fact under the new conditions that trade wars are destructive of universal prosperity, inimical to labor especially, but inimical also to the investments of our savings-banks and life-insurance companies, and to commercial capital, upon the profitable employment of which the prosperity and happiness of our 25,000,000 workers depend.

This is not only true of national production, trade and transportation, but it is just as certain to involve in its scope and influence the commercial relations of the entire globe. We should have our trade treaty with Germany, Germany with Japan, and Japan with us; and all three of these nations should in turn be doing business upon specific terms with all other countries.

These trade treaties, which are essential to the highest degree of mutual advantage, will bring strength, steadiness and stability to the world's commerce, and contribute immeasurably to the world's peace and general welfare.

Gentlemen, shall American business still remain the football of American politics?

Shall "the Payne Bill" become the issue of the next congressional campaign?

Fifteen of our ablest men, peculiarly fitted by nature and education, standing in the public eye and esteem

NATIONAL ISSUES OF 1916

by the side of our Supreme Court, and drawing an aggregate of \$150,000 or \$10,000 each, looking out for our trade of three billions a year, ought to give us an amazing profit upon the investment, and would effect a "conservation of resources" unmatched by any other force in our national life and remove the tariff from the field of politics.

The question is: Shall we have such a commission to advise Congress as to what the maximum and minimum duties should be, and secure within those limitations established by Congress for our manufacturers and merchants such trade agreements as will insure the largest possible return upon any trade privileges granted by this country to any foreign nation?

Shall we remain in these marvelously progressive times twenty-five years behind the most progressive nation in international trade, or shall we seek to establish the most advantageous trade relations with every nation on the globe, secure in the friendship of all, and at peace with the whole world?

IV

AN AMERICAN BANKING SYSTEM

THAT the solution and settlement of our financial and banking problem is the most important economic question that has ever confronted the civilized world must be admitted by all who will take the trouble to investigate it and institute a comparison between our conditions and those of any other country at the time when it adopted its financial and banking system.

COMPARATIVE IMPORTANCE OF OUR FINANCIAL AND BANKING PROBLEM

In 1803, when the Bank of France was established, the financial resources of France were without official record, but comparatively nominal.

In 1844, when the Bank Act under which the Bank of England is conducted was enacted, the banking resources of that country were probably in the neighborhood of \$500,000,000. The total note issue of England, Scotland and Ireland was less than \$200,000,000; the public and private deposits in the Bank of England were less than \$75,000,000.

In 1873, when the Imperial Bank of Germany took its present form, industrial Germany was still slumbering, and her bank resources probably did not exceed \$1,000,000,000. The capital of the incorporated banks

NATIONAL ISSUES OF 1916

was about \$425,000,000, the notes were about \$325,000,000, and the reserves held about \$30,000,000.

OUR BANK RESOURCES

Our annual products are worth \$40,000,000,000, estimated to be one-third of all the products of the world and equal to those of England, Germany and France combined.

Our domestic exchanges are estimated at \$500,000,000,000.

In 1890 our bank resources amounted to only \$6,343,000,000. Today they aggregate \$26,971,000,000, estimated at approximately forty-five per cent of all the bank resources of the entire world. Therefore the reserves of gold to be held by the United States are not to be compared with those of England, Germany or France, but with those of all the world.

In solving this great problem the relentless recognition of sound economic principles and the strictest observance of the lessons of American history are essential to a wise and defensible conclusion.

GEOGRAPHICAL CONSIDERATIONS

Great Britain has only 120,000 square miles of territory. France has 204,000 and Germany 208,000 square miles. All Europe, outside of Russia, is only about one-half the size of the United States. It has 1,600,000 square miles, while we have 3,026,000 square miles. Including Russia, it has only 3,600,000 square miles.

Extended as our territory is, our products are far more varied and more universally important to the human race than those of any other nation. They exceed in value \$40,000,000,000 a year.

AN AMERICAN BANKING SYSTEM

LOCAL INTERESTS

New England is essentially a manufacturing center of dry goods, wearing apparel and metal wares. Pennsylvania is known the world over for its coal, iron and oil industries. New Orleans is the market for cotton, sugar and rice. Kansas City is the emporium for live stock and grain. Chicago, the greatest food-market on earth, is fast coming to be one of the greatest manufacturing points in almost every line of industry. St. Paul and Minneapolis supply us with wheat and flour. The cities of the Rocky Mountains are growing in importance year by year, and each is entitled to distinction for some particular industry. The development of the Pacific Coast from San Diego to Seattle is challenging universal attention.

LOCAL INDEPENDENCE IMPORTANT

It is highly important, indeed, absolutely essential, for the best interests of the people, industrially, commercially, socially and politically, that each geographical zone of common business interests should have independent self-government in matters of banking, precisely as the several States have control of their local affairs.

At the same time, these commercial zones should be so harmonized and united as to give to each the financial strength and power of all combined, precisely as each State is as strong and powerful politically as the Federal government itself.

DIRECTORS OF THE FEDERAL RESERVE BANKS

I have taken, as I know the bankers and business men of the whole country have, profound pleasure and felt

the deepest satisfaction in the selections made for the directorates of the twelve Reserve Banks. I believe that it would be most difficult, indeed impossible, to match these men with an equal number equally equipped by experience, a firm determination and truly patriotic spirit to bring to their country's service the best there is in them; for many of these men, indeed, nearly all of them, at great cost and sacrifice to themselves, are devoting their energies to an impossible and therefore to a hopeless task. These men are in their prominence and in their service an honor to the American people and are entitled to the gratitude of the people.

MONETARY COMMISSION BILL

Shortly after the publication of the monetary commission or Aldrich Bill I chanced to meet one of the commission who seemed to be greatly surprised when I criticized the measure, and said to me: "What are you kicking about? It's nothing but your own bill." I was undoubtedly more surprised at his remark than he was at my criticism, and I said, "If I should be hurrying down this street some dark night and a thug should blackjack me, and, in the pursuit of his occupation in robbing me, should remove all personal identification, naturally my body would go to the morgue and from there to some medical school for anatomical study. If by chance some student should take a fancy to my skeleton and completely strip it of all the muscular tissue, and the arteries and veins and the nerve-structure, and, having thoroughly sandpapered my bones, hang my skeleton on the wall, and you should happen to learn of these facts, and see my skeleton hanging there on the wall, and should say, 'That is Fowler hanging over there,' you would be just about as near right as you are in saying that the Aldrich Bill 'is nothing but my bill.'" The sky-line, yes, but

AN AMERICAN BANKING SYSTEM

even that with violent variations. It lacks the complete structure. It lacks the economic organic life. It lacks the very soul of an American Banking System.

FEDERAL RESERVE BANK ACT LIKE THE FOWLER BILL

Professor Joseph French Johnson, in a discussion before the Economic Club of New York City, happened to criticize the Federal Reserve Bank Act very severely.

Thereupon Honorable Carter Glass, the author of this measure, charged Professor Johnson with vacillation and inconsistency, indulging in this language:

“I was little interested in the truism uttered by the first gentleman who spoke [Professor Johnson] when he stated that banking and currency, like other economic questions, is a matter of evolution. Of course it is; and so is individual opinion a matter of evolution. For instance, if I am not much mistaken in my recollection of events, a little more than five years ago—to be exact, March, 1908—the distinguished professor who addressed you first tonight, appeared before the Banking and Currency Committee of the House in earnest advocacy of Fowler’s scheme of asset currency, which was not vastly different from the regional reserve bank proposition now under consideration. Moreover, the gentleman did not then manifest any interest in a central bank such as he has so vehemently exploited here tonight.”

Now, the fact is that the Fowler Bill provided for a central gold reserve of \$1,250,000,000. Again, there is not a syllable in all of Professor Johnson’s drastic criticism of the Federal Reserve Act that is inconsistent in principle with what he said at that hearing in Washington when the Fowler Bill was before the committee.

From the standpoint of Mr. Glass he pays my proposed measure the high and flattering compliment of imitation. But I regret that I cannot return the compliment nor accept his; for while he and his confrères did appropriate the name of my bill of March 29, 1910,

which I called "The Federal Reserve Bank," they wandered very far afield in all that followed the name.

For apart from appropriating the name of my measure, there is a mere pretense of a central reserve which he did not create, unless twelve banks are identical with one; unless twelve individual persons with a sort of Siamese connection are in fact one natural and perfect human being; there has been no creation of a truly elastic currency unless expansion alone means elasticity; nor has there been such a division of the country into what I called Commercial Zones with economic credit boundaries, of which there are about fifty, but by an arbitrary, sectional, partizan and malevolent division of the country into twelve Districts, in each of which he has set up an individual independent Federal Reserve Bank, that must develop in the end inharmony and weakness.

From the standpoint of principle and bank practises it is hardly conceivable how Mr. Glass and his co-workers could have set up a device that is more completely and radically different from the Fowler Bill than the Federal Reserve Act is.

I have referred to these two incidents to illustrate the fact that all bank bills look alike to some people and to note in this connection that this is particularly true of the bankers of the country to an alarming degree, providing that the opportunities for making money are about the same in all the bills.

And that this should be so is quite natural and perfectly proper; for a banker is a merchant in credit, buying credits as low as he can and selling them as high as he can. He buys deposits with accommodation and service given to his depositors, and generally by also allowing interest on the deposits. On the other hand, he sells credit every time he makes a loan and his price for the credit is the interest he charges. The banker is precisely the same kind of a merchant that the dealer in dry goods and products is. Therefore he strives for two

AN AMERICAN BANKING SYSTEM

things. First: To get his own business established on the most perfect basis. Second: To secure, if possible, as favorable conditions for himself as any other banker enjoys. The thirty thousand bankers of the United States are like the captains of so many ships sailing their vessels over the seven seas. It is the duty of the captain to follow the map before him faithfully, upon which is charted the bed of the ocean, its shallows, sand-bars, reefs, rocks and ever-varying deeps, as well as the storm-centers and their ever-recurring seasons. But the captains of the ships did not survey the shores, sound, and chart the bed of the seas over which they sail. This was done by men educated for and skilled in that particular task.

So the construction of a banking system is not the work of a banker, but of the economist and statesman.

Fortunately some bankers are economists and statesmen. The bankers should sail their banks over the oceans of credit, which should be surveyed, sounded and charted by the banking economists who, in strict accordance with sound principles and the banking experience of the world, should determine what money is; what a reserve is; how a reserve should be held; what currency is; how currency should be created; what liquid capital is; what fixed capital is; where the ever-lurking and deadly danger is in accommodation paper and acceptances.

For the bankers of the country to disregard the essential principles of banking economics in running their banks would be as foolhardy and as certain to lead to disaster as for the captains of our ships to disregard the chart of the bed of the ocean over which they sail their ships.

KNOWLEDGE ESSENTIAL TO INTELLIGENT COMPARISON

From what I have said it must be apparent to you that it would be useless to attempt a criticism of the

NATIONAL ISSUES OF 1916

Federal Reserve Act before I had first clearly established in your minds certain great fundamental economic principles as well as verified banking practises with which any banking system must conform or ultimately fail.

Certainly, if we do not know what the truth is about any question, we cannot tell, when anything is said about it, whether it is true or false. Expert intelligence upon this great question, a thorough knowledge of it, is essential to a sound opinion upon any phase of it. But fortunately the whole subject rests entirely upon a very few broad fundamental principles which are simple indeed if we will only accept them as settled, as we accept the law of gravitation, which is scarcely better settled than these very same broad fundamental principles of banking economics.

The fact is that all truth is simple when we reach it and comprehend it; but it is rendered obscure and hidden from our understanding by our ignorance, our prejudices, our traditions, our self-interest and greed; therefore we must divest ourselves of these distracting and diverting influences so far as possible in order that we may see clearly and so have the courage to act bravely.

NO PERSONAL FADS OR FANCIES

I have no personal fads or fancies about this great question; no scheme; no device; no structure of my own that has been conjured up out of preconceived notions born of idealism. I have nothing to offer the American people except the recognition and obedience to economic law that is as inexorable as the law of gravitation, and the adoption of those banking practises that have been verified over and over again and found essential to safety or have been evolved out of our own experiences and have been approved by long usage.

AN AMERICAN BANKING SYSTEM

Study, observation and reflection have led me to this conclusion, that the whole history of Anglo-Saxon civilization expressed in statutory law, which is worth preserving, indeed which is not a drawback, a hindrance, an actual block to the advancement of the race, is the rich product of human experience that finds expression in the practises and established habits of the people.

THE GOLD STANDARD

Soon after the Civil War the question of the standard of value became acute and would not down until it was settled right. The dross of fiatism was burned out of that question in the fiery furnace of debate in 1896, because it was demonstrated that all experience had shown that there could be but one standard of value. Then as now appeals were made to the cupidity and political bias and prejudices of the people, but the sunlight of truth dissipated the fogs that bewildered them and the American people made gold their standard of value.

BUSINESS MEN AND BANKERS SHOULD BE FRANK AND COURAGEOUS IN DISCUSSING ALL PUBLIC QUESTIONS

Business men and bankers have both been urged to boost the Federal Reserve Bank Act. Now this is not an international question. We are not driven to the single alternative of supporting it, right or wrong, as we do and must support our country. This is a purely domestic question. Should anyone boost it if he believes it to be inimical to the best interests of his country? Should we not be frank with each other? Should we not, above all things, be honest with each other? Should we not be patriotic and brave enough to say just what

NATIONAL ISSUES OF 1916

we think about a matter that affects the welfare of the whole country so vitally, and unless exposed and repealed may continue for fifty, one hundred and even a thousand years? Let us all be men, self-respecting men, brave men, patriotic men, before we are cowardly bankers, cowardly citizens, ignorantly approving and blindly supporting something we do not understand, or something about which we have doubts, even something we know to be radically wrong and that will retard, handicap and irreparably curse this country eternally if allowed to remain upon the statute books.

IS THE ACT DEFENSIBLE?

If the Federal Reserve Act is sound economically, if it is adapted to the needs and conditions of American banking, if it is a wise measure and just what we want, it will be a very easy matter to defend it, and demonstrate this fact. Discussion will not destroy nor weaken it; but will prove, strengthen, sustain and permanently establish it, if it is at all defensible. But I assert that it is structurally and fundamentally wrong, and if allowed to remain athwart the path of true bank reform that it will prove the most gigantic economic blunder ever committed in the life of this nation.

REFORMS DEMANDED

I think all will agree with me that prior to the passage of this Federal Reserve Bank Act the whole people,—I mean business men and bankers,—had arrived at two distinct and very concrete conclusions. First: That there should be a centralization of reserves,—gold reserves I mean; Second: That there should be greater adaptability of our bank credit to the ever-varying needs of our

AN AMERICAN BANKING SYSTEM

business. Agitation and experience had led us that far; but as to the method of securing these two important ends there had been no intelligent thinking whatever in the country, simply because there had been no intense interest as to the method. There had been no discussion of the subject by which errors would have been eliminated precisely as they were eliminated through the fiery furnace of debate to which the gold standard was subjected in 1896.

NOT DISCUSSED IN PRESIDENTIAL CAMPAIGN

Nothing whatever was said about this great, all-important question during the last Presidential campaign. It may possibly be that fate wisely foreordained that discussion should follow that piece of legislation, itself furnishing the text for the discussion. At all events, everyone will admit that there should be a fair and full discussion of the subject to determine the exact measure of wisdom expressed by that Act. And all should welcome debate as the right, wise and essential thing even now, rather than that we should pay the extreme penalty of legislation so unwise and so injurious in its consequences to the welfare of the people as I am confident this can be shown to be.

BASIS FOR WISE LEGISLATION

Financial and banking legislation should be founded upon sound economic principles and should follow and express the successful and approved practises of American banking, which have gone through three clearly defined evolutionary periods, each of which has made its distinct and important contribution to the sum of our knowledge on this question.

NATIONAL ISSUES OF 1916

FIRST BANKING PERIOD

The first banking period extended down to the time of the Civil War and its contribution was a complete, a perfect demonstration and absolute vindication of Hamilton's succinct but replete definition of what banking should be.

HAMILTON'S BASIC PRINCIPLE

“Every loan which a bank makes is, in its first shape, a credit given to the borrower on its books, the amount of which it stands ready to pay, either in its own notes or in gold and silver at his option.”

CIVIL WAR CONTRIBUTION

The second period was the Civil War period, and its contribution, though hampered and handicapped by a strait-jacketed bond security, was a bank currency of uniform appearance and of the same value throughout the United States.

CLEARING-HOUSE PERIOD

The third period in the development of banking in the United States was that following the War and its great and incomparable contribution was the American Clearing House in its most highly developed form, as seen at Chicago, New York, Philadelphia and some twenty other cities.

Did the authors of the Federal Reserve Act recognize any one of these demonstrated facts, these illustrated principles? Is it not a fact that the authors of that measure not only utterly disregarded them, but con-

AN AMERICAN BANKING SYSTEM

structed their bill in direct violation of each and every one of them?

Before pointing out the essential importance of each of these contributions, (a) *the inter-convertibility of bank-book credits, bank-note credits and gold*, (b) *the economic value and convenience of a uniform and universal "Bank Credit Currency,"* (c) *the incomparable advantages of our perfected Clearing House system*, pardon me if I first call attention to a great fundamental truth for the purpose of establishing a basis for clear and unerring thought about all that is to follow.

WHAT IS MONEY?

Unless we keep steadily and resolutely in mind what a dollar is, and what money is, we shall wander as aimlessly and recklessly about in the seeming intricacies of this subject as a fool walking about in a powder-mill with a lighted torch in his hand.

A dollar consists of twenty-five and eight-tenths grains of gold nine-tenths fine, and our money consists of the gold dollar and multiples of it. The gold dollar, because of its inconvenient size, is no longer coined; therefore all the money we now have in the United States is made up of the two dollar and a half gold piece, the five-dollar gold piece, the ten-dollar gold piece and the twenty-dollar gold piece. The fifty-dollar gold piece is also no longer coined.

GOVERNMENT STAMP ADDS NO VALUE

The stamp of the government upon the gold coins does not add a millionth part of a cent to any one of them. It simply certifies to the fact of fineness and the fact of weight. Any one of these gold coins hammered into the form of a cube or a spike is worth just as much at a

NATIONAL ISSUES OF 1916

United States Assay Office as when it first fell shining into the hands of the coiner. And any one of them, though it still bears the government stamp, will not be accepted by the government itself if it has lost only a small fraction of its weight by abrasion or wearing in use.

UNITED STATES NOTES AND BANK NOTES ARE NOT MONEY

The so-called United States ten-dollar note bears these words: "The United States will pay the bearer ten dollars," which is proof complete and conclusive that the ten-dollar note is not itself ten dollars, but only a promise to pay the bearer ten times twenty-five and eight-tenths grains of gold nine-tenths fine. It is a promise to pay. It is a debt. So also a national bank note is a promise to pay money. It is a debt. These two kinds of notes are not money because they are not themselves gold. They are only demands for gold. They are neither of them any more money than a promissory note, check or any other I O U is money. Nor can you change this fundamental economic truth by statute, although you can by statute make a piece of paper tell an economic lie every time it passes hands. Likewise silver dollars are demands for gold, and are as good as gold only because and only so long as redeemed in gold. Gold certificates and silver certificates are nothing but warehouse receipts entitling the holders to the gold or silver they represent which lies in the Treasury vault at Washington. They are to the gold or silver they represent precisely what a trunk-check is to the trunk it calls for which is at the railway station.

It follows, therefore, necessarily that no part of what is popularly called money, except the gold pieces, is money, but are, correctly speaking, nothing but currency, that which passes from hand to hand for the convenience of the people. United States notes, bank notes, gold

AN AMERICAN BANKING SYSTEM

and silver certificates and silver are not money, because they have to be redeemed in money to make them as good as money. They are not their own redeemers, as gold is.

THE SOURCE OF FINANCIAL ILLS

Nearly all, probably ninety-nine per cent of all, of the financial ills from which the world has suffered throughout all its history have been directly attributable to the insane idea that a debt, a demand for money, however certain it was of being redeemed in money, was itself money; and that other debts, other demands for money, were based upon it just as if it were money. It was a false economic assumption. It was an economic lie. It was an economic crime, and the world has paid the severest penalty over and over again for its folly in being led to believe this economic lie,—led to commit this economic crime of treating or using a debt, a mere I O U, as money.

AMOUNT OF MONEY IN UNITED STATES

The amount of *gold* in the United States, and therefore the amount of *money* in the United States, according to the statement of the government July 1, 1915, was \$1,993,549,015 and the amount of currency in all its various kinds and forms in the United States outside of gold is just about equal to this amount,—as the total amount of all forms of money and currency was \$3,997,368,468.

BEST KIND OF CURRENCY

Now, the question is, what is the best form or kind of currency outside of gold, which is both money and

NATIONAL ISSUES OF 1916

currency. Assuming that all the other various kinds and forms of currency must be kept as good as gold by currently redeeming them in gold, then that kind of currency is most economical which costs the least and at the same time adapts itself to the requirements of trade with the greatest facility at the least expense and least trouble. Because it is both the cheapest, most convenient, and serves the people best, therefore it should be furnished to the people as their right.

This duty on the part of the government to see that the people be furnished the best and most economical kind of currency brings us back to the consideration of those contributions of American experience in banking during the last one hundred and twenty-five years.

A PRACTICAL ILLUSTRATION

Let me ask you to imagine yourselves in the Citizens National Bank of New Castle, Pennsylvania, while we apply that rule of banking laid down by Alexander Hamilton to which I have already alluded, and which read:

“Every loan which a bank makes is, in its first shape, a credit given to the borrower on its books, the amount of which it stands ready to pay, either in its own notes or in gold or silver at his option.”

This bank has a paid-up capital of	\$200,000
Its circulation is	\$200,000

It happens that this bank is located in a section of the country where the rate of interest is six per cent; therefore the bank earns six per cent upon its circulation, or

	\$12,000
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Taking its bonds at par and assuming that the circulation is kept out all the time, the net profit on the circulation is .014 per cent, on \$200,000, or

	\$2,800
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AN AMERICAN BANKING SYSTEM

The total income therefore from the circulation is \$14,800

Mr. David Jameson, president of this bank, recently in a keen, analytical article pointed out that the loss this bank would sustain as a result of the passage of the Federal Reserve Act would amount to

(a) On the reserves required without interest	\$2,850
(b) On the capital he was forced to advance upon which he did not expect to receive any dividend	\$1,800

Making a total loss of \$4,650

If we deduct the loss from the gross income on the circulation we have a net income of only \$10,150

Let us assume that this bank has retired its circulation and that it has realized par for its bonds, or \$200,000

Let us assume that it has loaned out this \$200,000 at six per cent interest. The return to the bank would be \$12,000

The Citizens National Bank of New Castle would then be in precisely the same position that any State bank or trust company is now in, provided that the State bank or trust company is carrying the same amount of bank reserves,—say fifteen per cent.

We can now think of all banks both State and National at the same time, in the same way and upon identically the same basis.

Let us suppose that this bank could do just what the Canadian banks are now doing and have been doing ever since 1822, or for nearly one hundred years, exchange \$200,000 of its bank notes or an amount equal to its capital, \$200,000, for the promissory notes of its customers.

NATIONAL ISSUES OF 1916

When the bank has done this it has simply increased its deposits \$200,000; for the transaction does not differ economically in any way or in the slightest degree from the transaction of giving these same customers of the bank credit upon its books for \$200,000 subject to check for their promissory notes amounting to \$200,000. Therefore the bank should carry the same reserve against its notes outstanding that it would have carried against a deposit of \$200,000, or fifteen per cent.

The reserve held against these notes would be	\$30,000
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The cost to the bank of carrying \$30,000 in its reserves at six per cent would be	\$1,800
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Moreover, since the banks of the country are now allowing their depositors interest on their deposits of at least two per cent on the average, this bank should pay to the people, to the public, to the United States government, a tax of two per cent on the \$200,000 of notes outstanding, because the people, the public, the note-holders become depositors of the bank to the amount of the notes outstanding.

This would make an additional charge against the profits of the bank of	\$4,000
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Or a total against the income of the bank of	\$5,800
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But it will be recalled that the proceeds of the bonds have been loaned out at six per cent and brought a return of	\$12,000
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It will be observed also that the \$200,000 of promissory notes taken by the bank in exchange for its own notes are drawing six per cent interest and therefore would return to the bank	\$12,000
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Making the total income of the bank due to the change of method in issuing its currency	\$24,000
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AN AMERICAN BANKING SYSTEM

Now, if we deduct the outgo resulting from the change of method, or \$5,800, we would have a net income of \$18,200

If from that amount we deduct the net income under the Federal Reserve Bank Act, which was \$10,150

We shall have a net gain in favor of the proposed plan of issuing our currency of \$8,050

But it will be observed and noted that a tax of two per cent upon the \$200,000 of bank notes has been paid to the people, to the public, to the United States government, or a total amount of \$4,000

It is evident, therefore, that the total saving to the people and banks combined, the total economic gain to the country, would amount to \$12,050

This is a saving of a trifle more than six per cent upon the capital of the banks, of which the people, the public, the United States government, get two per cent and the bank and its depositors or customers get four per cent, or, to be more exact, .06025 per cent.

It should not be forgotten, but should be here observed and noted, that the State banks and trust companies will fare much better than these figures indicate because an allowance and deduction was made for the profit on the present National bank-note circulation amounting to .014 per cent.

To put this whole matter of profit and loss into a nutshell, if a State bank or trust company with a capital of \$200,000 and the same amount of deposits as the Citizens National Bank of New Castle should enter the Federal Reserve Bank system its loss would be \$4,650

But if it should have the same right of

NATIONAL ISSUES OF 1916

note issue now enjoyed by the Canadian banks its gain would be	\$6,200
Or a total difference to the bank of	\$10,850

But the bank has paid the people, the public, in the form of a tax to the United States Treasury of two per cent on its note issue of \$200,000, making a total economic gain to the country of

	\$14,850
Or .07425 per cent upon its note issue of	\$200,000

In other words, the net gain to the State banks and trust companies would be .014 per cent on their circulation, and the combined saving to the people, to the public, to the United States Treasury, in the form of a tax paid to the United States government on the notes would be two per cent, while .05425 per cent would go to the banks and their depositors and customers.

Let it be remembered that in the end the depositors and customers, so far as they are borrowers, pay all its costs to carry on the banking business of this country, for the bankers always get theirs after the expenses have been paid by the borrowers; therefore, the borrowers are interested in reducing the cost to the lowest possible point.

Whenever the people pass legislation that increases the expenses of the banks they are only adding to their own burdens, cutting their own throats; for in the end the people always pay the freight.

BANK CREDIT CURRENCY

When a bank issues its I O U's against its credit directly and simply, in the form of bank notes without depositing with the government any United States bonds or other securities to guarantee their payment,

AN AMERICAN BANKING SYSTEM

the bank is creating "*Bank Credit Currency.*" It is making its bank credit current.

HOW WOULD OUR BANK CREDIT CURRENCY BE CREATED?

If our banks were permitted to issue "*Bank Credit Currency*" to the amount of their capital, the United States government would furnish every bank, precisely as it does today, an amount of its notes equal to its paid-up capital without requiring the bank to deposit any kind of collateral whatever. In the case of the present National banks it would not cost them anything for plates because the government would simply erase from the plates they now have these words: "Secured by United States government bonds and other securities."

SAFETY OF BANK CREDIT CURRENCY

The present National bank notes are not only secured by the deposit of the United States government bonds and other securities, but they are in addition to this made a first lien upon all the assets of the bank issuing them. And this is wise, proper and just as it should be, for the bank note performs a quasi public function and therefore it must pass from hand to hand without ever being questioned by anyone.

For the same reason, then, that the National bank notes are made a first lien upon all the assets of the bank issuing them, that the Scotch bank notes are made a first lien upon all the assets of the bank issuing them; that the Canadian bank notes are made a first lien upon all the assets of the bank issuing them, so the "*Bank Credit Currency*" issued by our banks should be made a first lien upon all the assets of the respective banks issuing it.

NATIONAL ISSUES OF 1916

GUARANTEE FUND

While our experience shows that an issue of "*Bank Credit Currency*" equal to the amount of the capital of our National banks would have been absolutely safe during the last fifty years if it had been made a first lien upon the assets of the banks issuing it, to place public confidence beyond all possible question, a guarantee fund of five per cent of the amount of notes outstanding should be created precisely as has been done in Canada.

Since the experience of the last fifty years has demonstrated that a tax of one-fifth of one per cent upon all our National bank notes would have paid all the notes of the failed banks, without any references to the bonds securing them, it is evident that a guarantee fund of five per cent would insure all the bank notes for a period of twenty-five years in advance.

This guarantee fund would be created out of the tax of two per cent paid by the banks to the government upon their note issues.

TWO FACTS DEMONSTRATED

First. It has been demonstrated that such a currency is safe beyond all peradventure if one hundred years of experience in Canada and fifty years of experience with the National Banking System can prove anything.

Second. It has also been demonstrated that if the banks were authorized to issue an amount of "*Bank Credit Currency*" equal to their capital instead of doing business under the Federal Reserve Bank Act, it would result in an economic gain to the whole country of .07425 per cent upon the amount of the currency required by the people.

It is to be observed and noted that the amount of "*Bank Credit Currency*" used by the people of France prior

AN AMERICAN BANKING SYSTEM

to the breaking out of the European War ranged from \$30 to \$35 per capita. Again, it is more important to be observed and noted that the amount of "*Bank Credit Currency*" used by the people of Canada has ranged for several years from \$15 to \$20 per capita. This observation is more important because the business conditions prevailing in Canada are more nearly identical with the business conditions in the United States than those of any other country.

Therefore I am convinced after a thorough investigation of the subject, that if our monetary system should be simplified and properly readjusted, the amount of "*Bank Credit Currency*" used by the people of the United States would average about \$15 per capita, or a total of \$1,500,000,000

A saving of .07425 per cent upon this amount would make a total economic saving or gain to the whole country of \$111,375,000

An all-important point to be observed and noted is that economically speaking the commercial deposits of the country would be increased by \$1,500,000,000, and that these deposits would be available to the wage-earners and the agricultural classes principally, because they are, comparatively speaking, the chief users of currency in the transaction of their business.

DISPOSITION OF UNITED STATES GOVERNMENT TWO-PER-CENT BONDS

It has been assumed that the National banks would be able to dispose of their two-per-cent bonds at par. This result can be achieved by appropriating from the amount received through the two-per-cent tax on the "*Bank Credit Currency*" sufficient to make the rate of

NATIONAL ISSUES OF 1916

interest on the two-per-cent bonds three per cent. This having been done, the bonds now securing National bank notes could very readily be sold to our great life-insurance companies, the Savings-banks and to private estates.

CREATION AND COURSE OF BANK CREDIT CURRENCY

Let us pursue our observations a step further and note what occurs from day to day as the bank of New Castle puts its "*Bank Credit Currency*" into circulation. You must not allow yourselves to forget that that is precisely what it is, "*Bank Credit Currency*,"—bank credit made current.

Let us assume that the Citizens National Bank of New Castle has furnished \$20,000 of its "*Bank Credit Currency*" on a Saturday morning to meet the pay-rolls of its customers. If any of its own depositors should get possession of some of these notes they would bring them directly to the bank in the regular course of business and deposit them with their own checks, drafts and other currency, thus converting them into a deposit subject to check. If the balance of the \$20,000 of "*Bank Credit Currency*" put out by the bank should get into the possession of the other banks of the city they would send them to the Clearing House with all the checks and drafts against the Citizens National Bank, and these bank notes would be paid there by it, by paying the balance against it.

OVER-EXPANSION OF BANK CREDIT CAN NEVER BE DUE TO BANK CREDIT CURRENCY

Will some one who has not studied this question and thought it out carefully to the end suggest that the right to issue an amount of "*Bank Credit Currency*" equal to the capital of a bank will lead to over-expansion?

AN AMERICAN BANKING SYSTEM

The form that bank credit takes *after loans have once been granted* has nothing whatever to do with the over-expansion of bank credit. If over-expansion takes place at all it must be when the loans are granted by the bank.

The current redemption of all bank debts when due is the only proof positive of the bank's ability to liquidate. The soundness of the banking situation, at any given time, therefore, is measured by the ability of the banks to liquidate.

Over-expansion results very largely, if not entirely, from one of four causes.

First. The granting of larger loans than are necessary to meet actually the legitimate demands of commerce, the excess being diverted into outside ventures.

Second. The granting of loans for too long a time or the repeated and endless renewal of loans.

Third. The over-trading or speculation in production or in commodities.

Fourth. The diversion of the commercial fund or capital of the country into railroad building, internal improvements or speculative real-estate investments.

That form of bank credit which shortens the life of bank loans by immediately returning for redemption will always tend to check and prevent over-expansion. "*Bank Credit Currency*," therefore, which goes to the Clearing House daily for redemption will check and prevent over-expansion of bank credit and will not lead to it. In the very nature of things "*Bank Credit Currency*" is a natural and potential check to over-expansion of bank credit. This was the very soul of the Suffolk system of New England—sixty per cent of the bank credit being in the form of "*Bank Credit Currency*," which was redeemed daily at the Suffolk Bank in gold. It is the very soul of the Bank of France, the greatest banking institution that has ever existed in the world.

Over-expansion of bank credit is due to *over-lending*, and it occurs at the time the loan is made, and it

has occurred in England, where they have no "*Bank Credit Currency*" at all, more frequently during the last seventy years, or since the English Bank Act was passed in 1844, than in France, where nine-tenths of the bank credit of the Bank of France has been in the form of "*Bank Credit Currency*" since 1803, or for more than one hundred years.

It will be noted that the deposit liability of the Bank of France is not ten per cent of its bank-note liability.

The principle laid down by Ricardo is fundamental and has been verified over and over again; indeed, wherever tried it has demonstrated its universal application. It was this: "The issuers of paper money [currency] should regulate their issues solely by the price of bullion and never by the quantity of their paper in circulation. The quantity can never be too great or too little while it preserves the same value as the standard."

THE PRINCIPLE IS OLD

In what I have here presented there is nothing new,—absolutely nothing new. It is all old. And there has been no time during the last two hundred years that this principle has not been vindicating itself in Scotland. For more than one hundred years it has been vindicating itself through the Bank of France. For almost one hundred years the Canadian banks have been vindicating the same principle. In no less than thirteen States and in all parts of the Union this same principle was vindicated prior to the Civil War.

Nor has there been a single instance during the last two centuries when this same principle has been invoked where it has failed to demonstrate the fact that it involved the vital principle of bank credit,—the dynamic force of the world's commerce. Nor has it ever failed to produce identically the same kind of results, varying

AN AMERICAN BANKING SYSTEM

only in degree, and strictly according to the fidelity with which the principle has been followed and this great law has been obeyed.

Speaking of the "*Bank Credit Currency*" system of Scotland in 1856 Henry D. MacLeod, the most profound student of banking economics, said:

"It is no exaggeration whatever, but a melancholy truth, that the period of the Revolution of 1688 and the establishment of the Bank of Scotland, that country, partly owing to such a series of disasters as cannot be paralleled in the history of any other independent nation, and partly owing to its position in the very outskirts of the civilized world, and far removed from the humanizing influence of commerce, divided in fact into two nations, aliens in blood and language, was the most utterly barbarous, savage and lawless kingdom in Europe. And it is equally undeniable that the two great causes of her rapid rise in civilization and wealth have been her systems of national education and banking. Her system of banking has been of infinitely greater service to her than mines of gold and silver. Mines of precious metals would probably have demoralized her people. But her banking system has tended immensely to call forth every manly virtue. In the character of her own people, in their steadiness, their integrity, their honor, Scotland has found wealth infinitely more beneficial to her than the mines of Mexico and Peru. . . .

"On the contrary, their solid results have been her far-famed agriculture; the manufactures of Glasgow and Paisley; the unrivaled steamships of the Clyde; great public works of all sorts, canals, railroads, roads, bridges; and poor young men converted into princely merchants. . . .

"All these marvelous results, which have raised Scotland from the lowest state of barbarism up to her present proud position in the space of one hundred and fifty years, are the children of pure credit."

Such were the marvelous results that had been attained in Scotland down to 1844 when the English Bank Act was passed.

While in England periods of over-issue and panic

succeeded each other and bank failures took place in alarming numbers, Scotland steadily progressed and bank failures were scarcely heard of. Whatever financial disturbances Scotland experienced were only the reaction from England.

While now it is easily seen that under such circumstances things could not have been otherwise, it is surprising to find that the different effects of note issuing in Scotland and England form the inexplicable puzzle they do to economists.

Even John Stuart Mill as well as others could explain the good economic effects of freedom of note issue in Scotland and favored it on logical grounds; but on the ground of experience he with others condemned free note issuing in England. It is a strange fact that Mill dismissed the whole subject, vital as was the principle involved, with the superficial and farcical remark that free note issuing is very good north of the Tweed, but very bad south of it.

Mill and the others committed their stupendous error by assuming that note issuing was actually free in England when the fact was that government interference had destroyed, completely destroyed, the usefulness of the system in England. Several legal formalities were required to start a note-issuing bank. The limitations, restrictions and regulations were of such a character that they were more than sufficient to give the notes a coin nature—a coin prestige.

These laws completely destroyed the true credit character of the notes. They did not, they could not, create money out of debts. But they set in motion an economic force that destroyed what money there was,—a force that destroyed the very foundations of credit.

Sir Robert Peel evidently could not comprehend, for certainly he did not appreciate, the fact that the English bank notes prior to 1844 were competing with the coin of the country, and that they called forth none

AN AMERICAN BANKING SYSTEM

of the healthy and useful banking methods which free credit instruments compel. They simply expelled from the country a quantity of gold exactly corresponding with their own aggregate.

Though this is perfectly plain to any intelligent student now, Peel does not seem to have perceived that, if the media of exchange are to be increased in a country, it is absurd to attempt their increase by the introduction of one medium which expels another medium in exact proportion to its own quantity. In a word, he did not see the totally different nature of the free note issues of Scotland and the bank-note issues that had been limited, circumscribed, hemmed about and buttressed in England until the people, and also the banks themselves, looked upon them and used them as coin and substituted them for coin.

Every paragraph, every sentence, every word, every syllable, that is used to change or convert a true bank credit instrument into paper coin, correspondingly and identically to the same degree destroys its virtue and usefulness as a credit instrument and makes it to the same degree and directly in the same proportion the deadly and destructive enemy of the very coin whose nature it is made by statute to approximate or assume.

This is the fateful feature of the Federal Reserve Bank Notes. And the result will be inevitably identical with the consequences which followed this experiment in Great Britain prior to the passage of the English Bank Act.

It was utter lack of comprehension and appreciation of this subtle but great fundamental truth that caused Sir Robert Peel and his followers to fail to realize that all the troubles suffered by English bankers were entirely due to the coin character, to the prestige, given their notes by the government which made them in the public mind fit substitutes for the coin itself. On the other hand, the Scotch bankers who escaped all trouble issued their notes entirely free and therefore of

NATIONAL ISSUES OF 1916

the same identical character as I O U's, drafts and checks,—in fact private instruments of a nature suitable to the needs of the poor and struggling workers in all their various fields of production.

Again it was this same lack of comprehension, appreciation and want of recognition of this subtle and profound truth that led Sir Robert Peel and his followers into that simple and stupendous error upon which the whole Bank Act of 1844 was founded.

And that was this, that there should be no bank notes except those based on gold and issued against gold, the assumption being that gold could not be drawn out of the Bank of England unless an equal amount of bank notes were surrendered. Within eighteen months after the passage of his Bank Act, Peel learned that a mere check was just as efficient an instrument to take gold out of the Bank of England as his notes were. The whole theory upon which the Bank Act of 1844 was based had been exploded.

It was this lack of comprehension and appreciation of the fundamental difference between a true bank credit note, as illustrated by the Scotch bank note and the bank note issued by the Bank of France, and the bank note which was circumscribed, hemmed and buttressed by statute and made something entirely different from pure bank credit, that deprived England of one of the most efficient and one of the vital forces in the production of wealth; *that started Germany on its unerring and fatal destination,—a compulsion to make her bank notes legal tender in time of peace, which is always a certain prelude of a financial cataclysm.*

BANK CREDIT CURRENCY IN THE UNITED STATES

Whether Alexander Hamilton was familiar with the miraculous achievements wrought in Scotland by its

AN AMERICAN BANKING SYSTEM

banking system or whether this marvelous man evolved the principle from the inner consciousness of his own matchless economic mind, certain it is that he gave formal and precise expression to the same great principle in his words already quoted, and put that principle into practise in 1791 when he gave to this country the charter for the first Bank of the United States.

So important is this great, fundamental economic principle that it will do no harm to repeat it here.

HAMILTON'S BASIC PRINCIPLE

“Every loan which a bank makes is, in its first shape, a credit given to the borrower on its books, the amount of which it stands ready to pay, either in its own notes or in gold or silver at his option.”

BANK CREDIT CURRENCY AND THE BANK OF FRANCE

The Bank of France was authorized to issue “*Bank Credit Currency*” virtually without limit, subject only to its convertibility into coin.

The charter contains the following provision:

“To issue notes payable to bearer at sight and notes to order payable within a certain number of days after sight. These notes as issued by the bank shall be so proportioned to the reserve cash in the vaults of the bank, and with such regard for the maturing of negotiable paper held by the bank that the bank can at no time be exposed to the danger of delaying payment of the obligations when presented.”

No one can read this provision, which is identically the same today as it was when Napoleon approved or more likely wrote it in 1803, without observing that it is only a paraphrase of Hamilton's principle.

Undoubtedly owing to the great success of the first

United States Bank, and the very friendly and intimate relations existing between the United States and France in 1803, France, following the same principle, established the Bank of France, the most successful and remarkable bank that has ever existed in the world. It enabled Napoleon to carry on his wars on a metal basis. For more than one hundred years this remarkable institution has carried the government of France through its wars and its revolutions, through its changes from a kingdom to a republic and from a republic to an empire, and from an empire to a republic, and has often been the final resort of the Bank of England in times of great stress.

FIRST UNITED STATES BANK

It should be noted in passing that the capital of the first United States Bank was fixed at \$10,000,000 and that its note issue was fixed at the same amount, but that the amount of notes outstanding at any time did not exceed \$6,000,000, being for the years of 1809 and 1811, respectively, \$4,500,000 and \$5,037,125.

BANK CREDIT CURRENCY IN VIRGINIA

In his "History of Virginia Banks and Banking Prior to the Civil War" William L. Royal used this language:

"In 1804 the legislature chartered the Bank of Virginia and its branches and this was the beginning of the Virginia banking system that by 1860 had grown and developed into the most perfect banking system that the world has ever seen."

These banks all followed the principle laid down by Hamilton and were permitted to issue notes equal in amount to five times the amount of coin held by them. In 1860 the white population was 1,047,000; the capital

AN AMERICAN BANKING SYSTEM

of the banks was \$15,884,000; their coin on hand was \$2,943,652, and therefore they could lawfully have issued nearly \$15,000,000 of notes; but there was then outstanding only \$9,612,000, proving with what facility and certainty the "*Bank Credit Currency*" of Virginia adapted itself to the exact needs of the people.

The exchange Bank of Richmond had only one dollar of notes out for each dollar of coin, while the Farmers Bank of Blacksburg, a small country town, had out five dollars of notes for each dollar of coin. The reason for this wide discrepancy in the note issues of the two banks was the fact that the people at financial centers always use more checks. But should not the country bank have the same privilege and advantage of furnishing its customers the kind of credit they need as well as the city bank; and should not the country people have the same privilege and advantage of getting at the counter of their bank the kind of credit their habits and conditions require that the city people have?

Mr. Royal further says:

"There were no very wealthy men, but the entire population was well off. This is a result of a system that makes banking perfectly free among the people."

This description corresponds precisely with that of MacLeod about the effect of the Scotch system upon the people of Scotland.

The soundness of the Virginia banks was beyond all question. Mr. Royal referring to this subject, says:

"I have been unable to discover that any Virginia bank ever failed prior to the Civil War: or that any man ever lost a dollar by a Virginia bank note prior to that event."

It is also to be noted that in 1860 the general opinion of the soundness of the banking system had become so prevalent that the Virginia bank notes were at a very trifling discount in New York. The discount was no

NATIONAL ISSUES OF 1916

more than what was necessary to send the notes to Virginia and bring back the coin,—say one-fourth of one per cent.

In other words, the Virginia notes were as good as coin everywhere, less the cost of transportation.

On February 25, 1811, the charter of the first Bank of the United States expired. The theorists and verbal constructionists of the Constitution had their way and refused to renew the charter.

SECOND UNITED STATES BANK

In the midst of appalling disasters and great business distress the leaders of Congress were driven from their trenches of theories and compelled, in the interest of the public credit which was now tottering, to resort to an organized financial system.

On the 10th of April, 1816, the second Bank of the United States, founded upon identically the same principles as the first, was chartered, and it went into operation on January 7, 1817.

The historian Parton speaking of this bank, says:

“The notes of the United States Bank were as good as gold in every part of the country. From Maine to Georgia, from Georgia to Astoria, a man could travel and pass these notes at any point without discount. Nay, in Sweden, Paris, Rome, Cairo, Calcutta, t. Petersburg the notes of the Bank of the United States were worth a fraction more or less than their value at home according to the rate of discount.”

The second Bank of the United States had a capital of \$35,000,000 and the right to issue an equal amount of “*Bank Credit Currency*.” But during no year did the circulation reach \$24,000,000. It averaged about \$12,000,000 per year while the deposits averaged about \$15,000,000.

AN AMERICAN BANKING SYSTEM

Notwithstanding the marvelous success of this great institution, an extension of the charter was refused, simply because it could not be prostituted to political purposes.

John J. Knox, in his history of banking, says:

“The motive for bringing up in the President’s message the question of the recharter of the Bank of the United States appears to have been largely, if not altogether, a political one. Mr. Calhoun, in a speech made in January, 1834, upon Secretary Taney’s reasons for removing the deposits, asks: ‘Can the Secretary be ignorant that the avowed and open policy of the government is to reward political friends and punish political enemies? . . . Can he be ignorant that the real offense of the bank is not that it has intermeddled in politics, but because it would not intermeddle on the side of power?’ A report made in 1833 by a committee of the directors of the Bank of the United States states that, ‘It is understood that soon after that event [the inauguration of Jackson in March, 1829], a meeting was held in Washington to consider the means of perpetuating their new authority, and the possession of the Bank was among the most prominent objects of the party assembled.’”

Therefore, it may be stated that the United States, through political madness and insane party strife in 1832, and the supposed necessities of the Civil War, was torn from the safe moorings of a scientific banking system and has drifted far out on the sea of chance, and seems to have completely forgotten the great lesson she taught both France and Canada.

However, the sound principles inculcated by Hamilton and the splendid achievements attained by both the first and second banks of the United States left their impress upon the banking laws of Canada and not less than thirteen different States, each resorting to the charters of these two banks as models when finally compelled by local conditions to revise their banking laws, which because of ignorance and prejudice always

NATIONAL ISSUES OF 1916

seem to be the very last subject to be considered by States as well as by Nations.

BANK CREDIT CURRENCY IN CANADA

A careful investigation, I think, will disclose to any intelligent student that, owing to the success of both the first and second United States Banks and the close business relations then existing between this country and Canada, following this same fundamental principle, laid down by Hamilton the Canadian government granted three bank charters in 1822; and today, excepting the Bank of France alone, Canada has the best banking system in the world.

The charters of these three banks contained the following provisions:

“To issue notes to circulate as money; but with no limit other than the general limit for all obligations.”

That general limitation was this:

“The total liabilities shall not exceed three times the capital.”

B. E. Walker, president of the Canadian Bank of Commerce, says in his “History of Banking in Canada”:

“It may be safely said that these first charters are the sub-structure on which all subsequent improvements have been built and that no very radical changes have been at any time necessary.”

During the last quarter of a century, at least, the annual fall expansion of currency in Canada has averaged about four dollars per capita, while the total circulation has ranged from \$15 to \$20 per capita.

These same figures would give the United States an

AN AMERICAN BANKING SYSTEM

annual expansion and contraction in its currency of \$400,000,000 and a total average circulation, as already pointed out, of \$1,500,000,000.

BANK CREDIT CURRENCY IN LOUISIANA

After having suffered more than her full share of misfortunes, Louisiana passed a general Bank Act in 1842 which Horace White says, "was, in nearly all respects a model for other States and Countries."

The right of note issue was unlimited, but the banks were required to carry a coin reserve of thirty-three per cent of all their liabilities. Not one of those banks suspended in 1857 and all of them were redeeming their notes in gold when General Butler took possession of New Orleans. Many of the notes had been cut in halves and quarters to increase the quantity of the currency, but the pieces were all honored by redemption. In 1860 Louisiana was the fourth State in amount of banking capital and held more specie than any other State except New York. In 1860 her bank capital was \$24,496,866. The notes outstanding were \$11,599,313 and the deposits were \$19,777,812.

BANK CREDIT CURRENCY IN KENTUCKY

In 1834 three charters for banks were granted in Kentucky with the right to issue notes in double the amount of their capital. These banks were the "Bank of Kentucky," "Northern Bank of Kentucky" and the "Bank of Louisville."

On May 9, 10 and 11, 1837, the banks of New York, Philadelphia and Baltimore suspended. The banks of Pittsburg and Cincinnati followed suit. On May 18th a run commenced on the banks of Louisville and \$45,000 was drawn out. The next day the Kentucky banks

NATIONAL ISSUES OF 1916

suspended, although, having \$1,900,000 in specie against \$3,300,000 in circulation.

Referring to these banks in the panic of 1857, John Jay Knox says:

“The panic of 1857, which was severe in many parts of the country and which caused great alarm in Kentucky, produced no ill effects on the banks, all of them continuing to pay in specie even after the New York banks had suspended.”

In 1860 the capital of these banks was \$12,660,670 and the circulation was only \$13,520,207, although it might have been twice the capital or \$25,321,340.

BANK CREDIT CURRENCY IN OHIO

Ohio, too, had run the gamut of disastrous banking, and in 1845 the demand for reform was met by a Bank Act authorizing the issuance of currency in accordance with the Hamilton principle of the interconvertibility of bank-book credit, bank-note credit and gold. A bank with a capital of \$100,000 could issue “*Bank Credit Currency*” to double the amount of its capital. John Jay Knox, speaking of the banks organized under this law, says:

“The banks authorized under the laws of 1845 and 1851 were uniformly successful and furnished a currency for the people, not a dollar of which was ever lost by the holder thereof.”

The capital in 1863 was \$5,674,000, the circulation was \$9,057,000 and the deposits were \$11,697,000.

BANK CREDIT CURRENCY IN INDIANA

In anticipation of the death of the second United States Bank there was passed in 1834 in Indiana a char-

AN AMERICAN BANKING SYSTEM

ter for the "State Bank of Indiana," which, with the record of its successor, the Bank of the State of Indiana, was without exception the most successful and remarkable single State banking institution in the history of the United States.

This was authorized to issue an amount of "*Bank Credit Currency*" in double the amount of its capital.

No bank in the country stood higher. In all the Western and Southern States its notes commanded a premium, and in the East were taken at a very small discount. In 1857 all the banks in the East except the Chemical Bank of New York suspended specie payments, and all in the West except the State Bank of Indiana, the banks of Louisiana, Kentucky and Missouri.

In 1850 the State Bank of Indiana had seventeen branches. The circulation of the bank was \$3,548,267, and its deposits were only \$668,610.

In 1860 it had twenty branches, its capital was \$3,323,850, its circulation was \$5,753,610 and its deposits only \$1,232,861. These figures and the marvelous success of this bank demonstrate two facts: (a) *that if a bank can supply its customers the form of bank credit their peculiar wants call for, the habits of the people will determine whether the bank notes will exceed in amount the deposits;* (b) *that an issue of "Bank Credit Currency" seems to check over-expansion and is one of the best guarantees of soundness.*

BANK CREDIT CURRENCY IN IOWA

As a result of the horrors of the panic of 1857, although the old constitution of Iowa contained an absolute prohibition against bank charters, the new constitution of the State provided for the adoption of bank charters through a referendum, by a vote of the people.

The legislature passed a law in March, 1858, incor-

NATIONAL ISSUES OF 1916

porating the State Bank of Iowa, and it was approved by the people the following July. This bank was permitted to have twenty branches and to issue "*Bank Credit Currency*" in double the amount of its paid-up capital. The completeness, the perfection of this charter, which was largely followed in its details by the National Bank Act, shows the evolution of American banking down to that time, and gives evidence throughout of the influence of banking experience, especially that of the Bank of the State of Indiana.

The success of this bank was marked from the very outset; but, when the national banking system was established and the ten-per-cent tax was imposed upon the circulation of State banks, it was compelled to go out of business, the entire circulation being redeemed without the loss of a cent.

Its capital was then \$1,048,200. Its circulation was \$1,439,764 and its deposits were \$2,851,462. Here again is accentuated the fitness of such a banking system to serve the needs of the people.

Undoubtedly the people of both Indiana and Iowa were able to use their credit to more than double the amount that would have been possible without the advantage of the "Bank Credit Currency" principle,—the power to exchange their credit for the current credit of these banks.

BANK CREDIT CURRENCY IN MISSOURI

As a consequence of the disastrous conditions resulting from the panic of 1837, the Bank of the State of Missouri was chartered with the power of issuing currency at the rate of three to one for the specie held in its vaults. In 1857 seven more banks were chartered upon the same conditions. In a short time the State was supplied with a "*Bank Credit Currency.*" In 1859 the capital of these banks was \$5,796,000. The authorized circulation was

AN AMERICAN BANKING SYSTEM

\$11,700,000; but there was only \$6,069,000 of it out, while the deposits were only \$3,123,000.

SUFFOLK SYSTEM

Nowhere in the whole range of banking experience have so many things, which the student of this subject ought to know, been demonstrated beyond cavil as in the six New England States under the Suffolk System. Here were six States, the laws varying in each. Portions of these States were far more remote from Boston in those days than any part of the United States is from any other part today so far as business relations and convenience are concerned.

There were no railroads nor telegraph lines nor long-distance telephones. Indeed, almost every essential to anything like a sound banking system as conceived and observed from the standpoint of today was wanting. There was no law requiring a uniform reserve. There was no law requiring coin redemption. There was no uniform law requiring bona fide capital. There was no check upon the amount of notes that might be issued if a bank was dishonestly inclined, as each bank provided its own notes.

In 1860 there were 504 banks in New England. There are only 740 banks today in the same States. Can a fair-minded, impartial man deny that the conditions today are vastly in favor of better results than they were then? One law for all; a bona fide capital; a required reserve; a system of redemption established by law; notes furnished by the United States government; a common national supervision! These all unite to compel the admission that any system that could prove its adequacy under such adverse conditions as existed from 1840 to 1860 would certainly approximate perfection today.

To all intents and purposes the possible issues were without limit. The actual circulation in 1840 was only twenty-three per cent of that permitted. The circulation of 1850 was only forty per cent of that permitted; and the circulation in 1860 was only thirty-six per cent of that permitted. Why? Simply because the notes were sent for redemption daily just as checks are. And you could not keep out any more than the public would use. The amount of "Bank Credit Currency" in circulation was always just equal to the demands of trade. It was never too great. It was never too small. It was always exactly adjusted to the needs of business.

During every year from 1840 to 1860 except two the note issues were greater than and usually nearly double the deposits, illustrating with what certainty and perfect nicety such a system adapts itself to the ever-varying needs of the people who were fortunate enough to have it, and demonstrating how it invariably, with peculiar fitness, meets the needs of the rural districts where currency and not checks are especially required.

A most marvelous exhibition of this interplay and interchange of bank-book and bank-note credits occurred in these six New England States as a result of the panic of 1857. The authorized note issue of the four hundred and ninety-five banks constituting the Suffolk System with capital ranging all the way from \$25,000 to \$500,000 each, was \$131,000,000. In 1856, the year before the panic, the note issue amounted to \$50,000,000 and the deposits amounted to \$32,000,000. In 1857, as a result of the panic, the note issue rose to \$55,000,000 and the deposits dropped to \$25,000,000. In 1858, the year after the panic, the note issue had fallen to \$36,000,000 and the deposits had risen to \$47,000,000 or there had been a conversion of about \$20,000,000 of bank-note debts into deposit debts. The depression had come and the exigency for cash had disappeared.

AN AMERICAN BANKING SYSTEM

Do not fail to observe three important facts in this connection.

First. That although the banks were authorized to issue \$131,000,000, they never exceeded \$57,000,000, which was the highest point of circulation. This was reached as a result of the panic of 1857; and the average issue was \$23,000,000.

Second. That there was a perfect adaptation of the deposits and note issues to the peculiar and ever-changing demands of the people during the panic and during the depression of trade that followed the panic; and that in normal times the circulation in every section of New England reflected precisely the peculiar demands of all classes of the people.

Third. That the number of banks in New England in 1856, the year before the panic, was 495, and in the year 1858, the year after the panic, 499; or four more banks the year after the panic than there were the year preceding the panic,—an unquestioned tribute to the principle of "*Bank Credit Currency*" and coin redemption.

Now mark this, that the very heart and the very soul of the Suffolk System was in the fact that the notes were *redeemed daily in coin in Boston*. So good were these notes considered to be throughout the entire West that at Buffalo, Chicago, Milwaukee and all commercial points in the then Far West they were always taken at a premium of from one to five per cent. It was not the size of the bank of issue that made them good and desirable, but the fact that they were *redeemed daily in coin in Boston*.

SUFFOLK SYSTEM COMPARED WITH NATIONAL BANK SYSTEM

When the soundness of this system is tested by a comparison with that of the national banks, the results more

than justify the assertion that the Suffolk Bank System of New England was incomparably better than the National bank system; for when the conditions during the twenty years from 1840 to 1860 are compared with those of the last fifty years, all must admit argument is futile and the conclusion is inevitable.

Mark this, and note it well, that while a tax of only one-eighth of one per cent would have paid all the notes of the banks that failed under the Suffolk System from 1840 to 1860, it would have taken a tax of one-fifth of one per cent on all the notes outstanding issued by the National banks to pay the notes of the failed National banks, during the last fifty years.

DESTROYED BY TEN-PER-CENT TAX

Complete and perfect as was the success of the principle of "*Bank Credit Currency*" in every instance where tried, during the seventy-five years prior to 1860, exigencies of the War led Secretary Chase to impose a tax of ten per cent upon all bank notes for the purpose of compelling the banks to buy bonds to secure the National bank currency. *This ten-per-cent tax destroyed the Suffolk System with all the other banks founded upon the same principle,—the interconvertibility of bank-book credits, bank-note credits and gold coin.*

THE IMPORTANT CONTRIBUTION OF THE NATIONAL
BANK ACT

While this great fundamental principle of banking economics was made inoperative by the ten-per-cent tax imposed upon all bank notes, there grew out of the supposed necessities of the War two significant contributions to the right solution of our banking problem.

AN AMERICAN BANKING SYSTEM

First. The National government by printing and furnishing the National bank notes to the respective banks gave them all a uniform character and uniform appearance.

Second. By compelling all National banks to accept all National bank notes at par, the value of the notes was made universal throughout the United States.

Uniformity in character and universality in value of National bank notes were the great contributions of the National Bank Act to a truly American banking system if we will only take advantage of them in constructing it.

EXPANSION AND CONTRACTION OF BANK CREDIT CURRENCY

“*Bank Credit Currency*” increases and decreases precisely as checks and drafts do, always rising and falling in perfect accord with the ever-varying demands of trade. The Bank of France has increased and decreased its currency \$100,000,000 in a single week.

The Suffolk System of New England showed an expansion and contraction of \$20,000,000 as a result of the panic of 1857 or a conversion of \$20,000,000 of bank notes when not needed into bank deposits subject to check, or a conversion of twenty-five per cent of its entire assets from “*Bank Credit Currency*” into bank credits or deposits subject to check.

In Canada the variation every fall is approximately four dollars per capita. The same natural play of bank credit here in the United States would give us about \$400,000,000 of additional currency every fall, and this is just about the amount of currency that we are in the habit of shipping from one point of the country to another during the fall season and then back again when the need is passed. How much more natural, convenient, economical and advantageous it would be simply to convert \$400,000,000 of bank-book credits or deposits

into current credits or "*Bank Credit Currency*" than to go on forever shipping this vast amount of cash about the country instead of creating it wherever and whenever needed.

Again, it is a fact that has been demonstrated repeatedly, indeed wherever bank credit has been free to take the form desired by the people, whether "*Bank Credit Currency*" or deposits subject to check, that the circulation has varied from twenty-five per cent to one hundred per cent of the capital of the banks in the great centers of trade and from fifty to two hundred per cent in the smaller cities, rural towns and agricultural districts.

Now, I assert that the farmers and all the great producing classes have just as much right to convert their intelligence, their ability to produce, their honor, their industry, their personal credit, expressed in their promissory notes, into "*Bank Credit Currency*," the form of bank credit they require in their industries, as the manufacturers and merchants have to convert their intelligence, their productive power, their honor, their credit, expressed in their promissory notes into deposits subject to check, the form of bank credit that will best serve their purposes.

Again, I assert that the bankers in the smaller cities and agricultural regions should have the privilege of furnishing their customers in the regular course of business that particular form of bank credit that is in demand in their respective communities; that they should not be compelled to buy and pay one dollar or one hundred dollars for something that they can, with far less trouble and at only one-sixth of the expense, create out of their own credit.

The farmers and country bankers should have the advantage of this enormous saving. They should have the opportunity of dividing it between themselves. The application of this principle would increase the bank deposits from one billion to two billion dollars, from ten

AN AMERICAN BANKING SYSTEM

per cent to fifteen per cent, our present commercial deposits being \$12,000,000,000.

LIFE OF BANK CREDIT CURRENCY

If any additional evidence were needed to demonstrate that bank credit notes are only another form of deposits and that they are peculiarly the deposits of the farmers and wage-earners,—the great producing classes of the country as distinguished from the capitalistic class,—it is only necessary to observe: First, that the farmers and wage-earners, the great producing classes, are the greatest users of cash; and, second, that the life of "*Bank Credit Currency*" approximates the average life of checks and drafts, while the life of our National bank notes and our United States notes is, and of our Federal Reserve notes will be about the life of the paper upon which they are printed.

The life of the Scotch bank note is fifteen days.

The life of the Canadian bank note is thirty days.

The life of the Suffolk bank note was thirty-five days.

The life of the National bank note averages about five hundred days.

If we should adopt the Canadian bank note system the life of our bank notes would average from fifteen to thirty days. This would be largely due to the efficiency of our Clearing-House system, which is without a parallel in the world. "Bank Credit Currency" is distinctly the bank deposit of the masses of the people.

AN OLD APPARENT DIFFICULTY MET AND EXPLAINED

I am aware that there are those who say that it is not a question so much of more currency as of additional bank credit growing out of the privilege of rediscounting.

NATIONAL ISSUES OF 1916

But if instead of sending into the harvest, cotton and corn fields every fall from \$300,000,000 to \$500,000,000 of *our reserve money*,—gold certificates,—we could send that amount of “*Bank Credit Currency*,” or what would be more to the purpose, create it on the spot, does anyone doubt that our discounts and rediscounts would take care of themselves? Can anybody believe that the question of rediscounts would ever have arisen?

AMOUNT OF CURRENCY, HOW DETERMINED

From these facts it must be apparent to anyone that, granted the privilege of choice between bank-book credit and bank-note credit, the habits of the people will always determine whether or not the amount of “*Bank Credit Currency*” in any country will in the average exceed the amount of bank deposits subject to check.

It will also be observed that bank deposits subject to check and “Bank Credit Currency” are identically the same thing in principle,—that is both are deposits: one a deposit held by the customers of a bank, and the other a deposit held by the people, by the public.

PRINCIPLE IS UNIVERSAL IN APPLICATION

Nor should it have escaped your notice that the principle is just as uniform and universal in its application and operation as that of deposits subject to check, and has always worked equally well at all times, in all countries and under all circumstances and conditions wherever and whenever tried. It has been in operation in France since 1803. The Bank of France has deposits amounting to only \$120,000,000, while its “*Bank Credit Currency*” outstanding before the war was more than ten

AN AMERICAN BANKING SYSTEM

times as much, or \$1,200,000,000. Scotland has nine banks of issue. This principle has been in operation there for a period of two hundred and twenty years. Canada has twenty-four banks of issue. It has been in operation there for a period of nearly one hundred years. Prior to the Civil War it was in successful operation in thirteen different States, and its currency was issued under *General Banking Laws*, as in Louisiana; by single banks with branches as in Virginia, Kentucky, Ohio, Indiana, Iowa and Missouri; *and by five hundred individual banks, without any branches, in the six New England States.* *Nothing is lacking in proof, therefore, to demonstrate that we are dealing with a principle that is in no way limited in its application or operation any more than deposits subject to check are limited. The principle is identically the same.*

WHY BUY WHAT YOU CAN BETTER MAKE?

In the face of this vast array of evidence will anyone have the hardihood to say that this New Castle Bank should be compelled to take \$200,000 of its bank paper, if it had any that it could use for that purpose, which is very doubtful, and buy \$200,000 of the notes of the Federal Reserve Bank, and so lose the interest on this \$200,000, or \$12,000 every year, when at a cost to this bank of only \$1,800 the interest on \$30,000, or a fifteen per cent reserve against \$200,000 of "*Bank Credit Currency*," this bank can furnish at any hour of the day and during any day in the year, year in and year out, without any expense, inconvenience or trouble whatever, excepting only the necessary book entries, the best and cheapest currency in the world?

For certainly everyone will be compelled to admit that if the \$200,000 of its bank paper is good enough to buy \$200,000 of Federal Reserve notes with, it is certainly good

NATIONAL ISSUES OF 1916

enough, together with the remaining assets of \$1,700,000, to secure the payment of \$200,000 of "Bank Credit Currency," which would be a first lien upon its entire assets, consisting of \$200,000 capital, \$300,000 surplus and undivided profits and \$1,200,000 deposits, or a total of \$1,700,000.

STRENGTH OF BANK CREDIT CURRENCY AND FEDERAL RESERVE BANK NOTES COMPARED

If the banks of the United States are coordinated and united as they should be into a truly national banking system, and are permitted to supply the country with \$1,500,000,000 of "*Bank Credit Currency*" which is made a first lien upon the assets of the respective banks issuing it, this currency would be secured by approximately our entire bank assets of more than \$27,000,000,000 and an insurance fund of \$75,000,000 to redeem bank notes immediately in case of a bank failure.

Compare the inherent strength of these notes with the notes of the Federal Reserve Banks, and it will be observed and admitted that the "*Bank Credit Currency*" is incomparably stronger, and yet these "*Bank Credit Notes*" will retain all of their pure credit character. They will remain instruments of credit, precisely of the same nature as checks and drafts, and herein lies their great economic usefulness to the commerce of the country.

On the other hand, the credit character of the Federal Reserve Bank notes has been completely destroyed by putting them on a par with United States notes which are legal tender, and by the many difficulties surrounding their issue and the fact that their issuance is never related immediately to current business transactions in the production and transportation of commodities.

Then why all this endless trouble and sixfold expense in supplying currency? Will anyone say that there is the slightest difference in the world to the bank

AN AMERICAN BANKING SYSTEM

whether its liabilities of \$100,000 or \$200,000 are in deposits subject to check, or in "*Bank Credit Currency*" outstanding, provided the *same reserves* are required against both these liabilities, and both liabilities are paid over the counter of the bank, and through the Clearing House every day, precisely as they are now paid in Scotland, France and in Canada, and as they were paid at the Suffolk Bank for more than forty years?

EXPENSE AND METHODS OF ISSUANCE COMPARED

Compare this natural simple process of providing the exact amount of currency necessary to meet every demand of trade, instantly, at no greater cost than the ink and time it takes to make the book entries, all its pecuniary advantages and the incalculable economic value to the great mass of actual producers of our wealth, with the triple-gearred, overgrown, foreign, mechanical contrivance for manufacturing currency, known as the Federal Reserve Bank Act.

The Federal Reserve Board, located at Washington, a body of seven men that can be removed at any moment at the will of the President, are to decide whether any currency at all shall be issued, and if any is to be issued, what particular section of the country shall get it. A representative of the government located at each Federal Reserve Bank holds the bag and can indicate his approval or disapproval by saying "thumbs up or thumbs down," according to his personal caprice or political bias. If his decision should be favorable, under the cast-iron rules made by the Federal Reserve Board, you must await the action of the board of directors of the local bank upon your application for a loan with which you are going to purchase the necessary currency to accommodate your customers.

If you should pass the last intrenchment, you cull

and select and you select and cull again, wondering whether the paper you send in will pass muster. You do it up in a package, you ship it by express, always mindful when you are paying the charges that there will have to be repeated renewals by withdrawing paper from time to time and replacing it with something else if you happen to have anything left that will prove acceptable.

Every single one of these hundred transactions or more, all the trouble and annoyance, and every single cent of expense, including the rent for offices and salaries paid, are absolutely thrown away,—literally wasted. But that would not be so bad if that were all. No, that is a very small part indeed of the actual loss and damage done to the people and the productive industries of the country.

The complete destruction of the natural function of every bank to provide *current* bank credit is a hundred-fold more injurious, more detrimental to the business interests of the country, than the pecuniary loss growing out of the actual cost of carrying this gigantic piece of useless machinery.

But what will prove in the end a hundredfold more detrimental even than that is the *coin character* a bank debt has been given or made to assume in the minds of the public, because under the circumstances that have been created by this act all these Federal Reserve Bank notes must soon be declared a legal tender,—and this step is the certain, the inevitable prelude of an indescribable commercial disaster, sooner or later, according to the conditions of our international exchanges.

PENALTY FOR AN OLD ECONOMIC CRIME

Because at certain times and places in the past the people, including the bankers, have insanely thought that bank

AN AMERICAN BANKING SYSTEM

notes were money and treated them as money, to their great misfortune, are all the people of the world to be fined and penalized for all time to come, and compelled to pay for some elaborate, gigantic, expensive machine, constructed to control empirically and forcibly bank credit in the form of circulating government notes guaranteed by banks, when there is not now, never has been and never can be, but one true and scientific method of controlling all bank credit,—and that is through its current daily redemption in gold?

TRUE TEST OF BANK CREDIT

There is no more reason for trying to control artificially bank credit in the form of a conglomerate government bank note than there is for trying to control bank credit in the form of deposits subject to check,—not a bit; for they are identically the same thing. Both should be subjected to the same never-failing and only infallible test, current daily redemption in gold. That is the only reliable touchstone of all bank credit.

AN OLD ERROR EXPLODED

There are some people even now who are obsessed with the insane conception that a bank debt in the form of a bank note is money, and that no bank should have the power to make the inordinate profit growing out of issuing "*Bank Credit Currency*," or as they ignorantly say, "create money"; it never having occurred to them that a bank will make more profit out of a deposit of \$100,000 subject to check, than out of issuing \$100,000 of "*Bank Credit Currency*." But this is literally true, because if both of these forms of bank credit are treated alike, the reserve held against each being the same, the cost of the

NATIONAL ISSUES OF 1916

plates and the printing of the notes will measure the loss in issuing the "*Bank Credit Currency*" as against taking the deposits subject to check. There is no advantage whatever to a bank in issuing "*Bank Credit Currency*" instead of taking the same amount in the form of a deposit subject to check, *except alone to accommodate its customers at the least possible expense and trouble to itself.*

BANK CUSTOMERS' RIGHT

Now, it is the inherent, natural right of a customer of a bank to have that form of bank credit which will best serve his purpose, either a deposit subject to check or the credit of the bank in the form of Credit Currency. *The farmer who is a customer of a bank has just as much right to convert his corn, cotton, wheat and manufactured products into his bank's currency as into its cashier's checks or drafts or a credit upon its books subject to his checks.* And the wage-earners and farmers who use currency instead of checks are just as much entitled to the cheapest form of bank credit that will serve their purpose as the capitalist who carries a large bank balance.

DUTY OF BANK

And it is the absolute duty of the bank to furnish its customer that form of bank credit which will best serve his purpose, and at the lowest possible cost; and therefore if he wants currency, to furnish him "*Bank Credit Currency* because it is the cheapest and best."

DUTY OF GOVERNMENT

On the other hand, it is the duty of the government to compel the bank to keep all its credit as good as gold by currently redeeming it in gold.

AN AMERICAN BANKING SYSTEM

A FUNDAMENTAL BLUNDER

From this most natural, most simple, most direct, most economical, most scientific, most perfect method of supplying the demands of trade with the *safest currency in the world, excepting gold itself*, the Federal Reserve notes are as far removed as the machinations of man in his superstition, prejudice and ignorance could make them. The framers of the act are starting now right where England began in 1800 and where Germany began in 1873 and in the end are destined to the same disastrous fate.

The authors of the Federal Reserve Act describe with tragic detail how they have intrenched, buttressed, barricaded, fortified and removed their Federal Reserve notes from all possible danger, not realizing that every single step they took in this direction was only additional evidence of deeper and still denser ignorance. It is their boast that these Federal Reserve notes are so safe that they are fit to be legal tender, and should be regarded and treated as money; not realizing apparently that it was this *very insane idea of thinking of debts in the terms of money that has led to all the errors of thought in which they themselves are now hopelessly floundering and blindly leading this government into tragic difficulties and indescribable disasters.*

If the people of Europe, both in England and on the continent, had not during the first part of the last century practised this very same vicious habit of treating bank debts as money upon which they based still other debts, other demands for money, and so on, ad infinitum, until all the gold and silver was driven out of the various countries where this practise prevailed for the time being, the Federal Reserve Act would have been an impossible conception. England in a frantic moment, because of what she had suffered on this very account and because she did not see clearly, or, what is the more

NATIONAL ISSUES OF 1916

exact truth, because her legislators utterly disregarded the "Bullion Report," in their ignorance, as it has since been demonstrated, struck out of her banking life all bank credit in the form of bank notes, by limiting the right of note issue to the Bank of England, and to an issue of notes based on gold alone, or to an issue of gold certificates, for that is just what the Bank of England notes are.

NOTES OF BANKS OF ENGLAND, FRANCE AND GERMANY DISTINGUISHED

The greatest caution should always be taken not to institute any comparisons nor draw any conclusions that involve the assumption that the notes of the Bank of England and the notes of the Bank of France are of the same character, because one is essentially a gold certificate while the other is essentially a credit note. The result has been to develop in England the most exclusive deposit and check system in the world; while in France, as a result of her credit-note system, they have the most exclusive bank-note system in the world.

The notes of the Imperial Bank of Germany are not identical in character either with the notes of the Bank of England or with the notes of the Bank of France, but are of a hybrid nature with a specified reserve, and do not possess the distinguishing virtues of either of the other two.

THE BANK OF ENGLAND STANDS ALONE

Fortunately for the world, France, Scotland and Canada have preserved for all observing and thoughtful statesmen the invaluable principle of a true "*Bank Credit Currency*," while it has been left for England to demon-

AN AMERICAN BANKING SYSTEM

strate through the operations of the Bank of England that the control of the movement of gold to and from a country should not be complicated by the concurrent issuance of *LEGAL TENDER credit bank notes*, as it is practised by Germany. This is the great disturbing element that is always interfering with the control of the movement of gold in Germany. It is an obvious fact to all those who try to get gold out of Berlin, that for some reason all sorts of difficulties are thrown across their pathway.

GRESHAM'S LAW

The poorer money always drives the better money out of circulation. From 1791 to 1832 a differential of from one-half to one per cent in favor of silver drove all the gold out of the United States.

Money that can be bought for less than one hundred cents on the dollar is poorer than gold, and if it can be used where gold ought to be used or instead of gold, it will displace gold or drive it out of circulation and out of the country.

If bank notes upon which a profit can be made like our National bank notes or the Federal Reserve notes are used as reserves they will, just to that extent, displace gold and drive it out of the country.

For a bank note is just as much cheaper or poorer than gold as the profit upon it amounts to. If the profit upon bank notes is two per cent and they can be used where gold ought to be used, or in place of gold in the performance of the function of money, then the bank note is worth only ninety-eight cents on the dollar as compared with gold. In one city a certain National bank, just to make the profit on circulation, had a trust company in another city put \$3,000,000 of its bank notes into the reserves of that trust company and at the very bottom of the pile so that they would not be disturbed.

NATIONAL ISSUES OF 1916

By doing this they displaced \$3,000,000 of gold and drove it out of the country. This is the operation of Gresham's Law. This law is constantly at work in Germany because that country treats its bank notes as money and, as a consequence, Germany is under a constant strain to overcome it.

In the face of this obvious fact, and in defiance of this great fundamental economic law that the poorer money always drives out the better, which is as powerful and certain in its ultimate operation as the law of gravitation itself, the framers of the Federal Reserve Act, blindfolded by superstition, prejudice and dense ignorance, walked directly into this bottomless pit; and now we only await the day of a sad awakening. Already the deadly work of this stupendous economic blunder has begun and is steadily progressing day by day as the amount of bank debts, in the form of Federal Reserve notes, increases, for only seven thousand out of thirty thousand banks are prohibited from using them as reserves. The effect is demonstrated by the fact that the aggregate amount of National bank notes and Federal Reserve notes has been increasing ever since the Federal Reserve Act was passed, even though there has been a depression in business and therefore there actually should have been a contraction instead of an expansion of this particular form of bank debt.¹

Everyone who knows anything whatever about this question knows that the Federal Reserve Act was nothing but the reenactment in this country of the German Bank Act. Already we can see here precisely what has occurred in Germany.

From 1891 to 1895 the gold reserve of the Reichsbank averaged \$250,000,000. In 1911 the reserve stood at \$251,750,000, or a gain of only \$1,750,000 in twenty years of almost astounding commercial development.

¹ The average increase per month has been about \$15,000,000, the total outstanding Nov. 5, 1910, being \$170,310,000.

AN AMERICAN BANKING SYSTEM

With what certainty Germany was moving toward an economic cataclysm every deep student was aware, and now he fully appreciates what our own danger is. But will the supporter of the Federal Reserve Act venture to tell us that all the State institutions are coming into the system and that then all banks will be prohibited from using the notes as reserves? What a fatuous state of mind he must be in! There are about 20,000 State banks or trust companies, and only twenty-nine have entered the system in nine months. The opposition, the hostility to this foreign organization is greater than it has been at any time since it intruded itself into our domestic affairs.

Every close observing student of this subject knows that the first statutory change of any significance whatever will be to make the Federal Reserve notes legal tender precisely as Germany did her notes through compulsion three years ago. This is the natural and necessary sequel to the disease. There can be no possible escape from the result and then we will be just where Germany was at the outbreak of the war, ready to collapse at the first real strain.

THREE REASONS WHY THE FEDERAL RESERVE NOTES MUST BE MADE LEGAL TENDER

First. The man who has common sense and an appreciation of the force of logic will argue that if the \$346,-000,000 greenbacks or United States notes are legal tender, why should not these Federal Reserve notes be made legal tender. While a ten-dollar greenback bears these indefinite words: "The United States will pay the bearer ten dollars," no time or manner being mentioned, the Federal Reserve note bears these positive and specific words, "The United States will pay the bearer ten dollars on Demand." Besides, the Federal Reserve note is guaranteed by one of the banks which

is supposed to have liquid assets of some kind to make its guarantee good. Certainly if either note from the standpoint of its terms and character is entitled more than the other to be made legal tender it is the Federal Reserve note. No sane man will deny that and the result will be that the insane man will win and all the Federal Reserve notes will be made legal tender. No one can refuse to vote for the proposition upon any ground of reason.

Second. The man who is totally ignorant of all history and the economic idiot who could not appreciate the potential facts of history even if he should read them,—some of whom participated in the passage of the law,—will continue to hammer away in season and out of season in favor of making the Federal Reserve notes legal tender. And as there are now and have been in the past, there will be in the future a large number of fiatists, so called greenbackers who will approve and applaud. When the stress of times comes over the land, the political demagogue will harangue the populace and tell the people that prosperity lies in more legal tender money and that it will take only a single sentence to make them all prosperous, rich and happy, and that that sentence is this: "All Federal Reserve notes are hereby declared to be legal tender for all debts public and private." This will be the prelude to the financial earthquake that will be sure to follow.

Third. If by any chance these Federal Reserve notes should escape their predestined mission because of the reasons already adduced, the time is not far distant when economic necessity will compel this step, precisely as it compelled the German government three years ago to make the notes of the Imperial Bank of Germany legal tender.

Germany has been making identically the same mistakes, indeed traveling over identically the same economic road, that England trod during the first half of the last century,

AN AMERICAN BANKING SYSTEM

from 1800 to 1844, but with greater caution, and it is true with some additional safeguards that will delay the catastrophe and correspondingly increase the force of the disaster when the cataclysm comes as it inevitably must.

The successive steps leading to this certain and dreadful fatality are these: (a) the destruction of one of the essential functions of banking by taking away the true credit element of bank notes; (b) the endowment of a bank credit,—a bank debt,—by statute, with the character and prestige of a piece of money; (c) the fraud practised upon the people by compelling them to take something for money which is not money, but only a debt,—itself a demand for money.

You might as well try to build a tower a mile high at an angle of forty-five degrees and expect that it would not fall as to assume that such a course in banking economics could result in anything but overwhelming disaster.

IMPORTANCE OF USING GOLD ALONE AS MONEY ILLUSTRATED

That the Bank of England has the most positive, complete, perfect and scientific control of the movement of gold of any institution in the world all agree. That this clear, undoubted and significant advantage is due to the fact that there are no legal-tender credit notes, as in Germany, nor any other form of debt used as reserves in England, there can be no possible doubt. The constant operation of Gresham's Law, whereby the poorer money is always displacing and driving out the better, is not a force to be overcome in London or anywhere else in Great Britain. Gold, and gold alone, is used to perform all the exclusive functions of money, and constitutes the only basis of both domestic and international transactions. Under the English Bank Act of 1844 the Bank of England could carry twenty-five per cent of its reserve in silver, but the bank has never done so.

NATIONAL ISSUES OF 1916

THE TWO GREAT LESSONS OF FINANCIAL AND BANKING HISTORY

The two most clearly demonstrated facts, the two established principles of fundamental importance in the financial and banking history of the world, are:

First. *That there should be one single central reserve and that that reserve should consist of gold, and gold alone, and that the function of creating currency out of credit should not be identified with or a part of the central reserve system.*

Second. That the best and cheapest kind of currency in the world is "Bank Credit Currency," and that it should spring into being in the regular course of business, precisely as checks do, and be redeemed daily at the counter of the bank of issue and through the Clearing Houses precisely as checks are, for they are identical in principle, —both are bank credit, both are I O U's,—the one, the depositor's check, being *order credit*; the other, the bank note, being *current credit*.

These two demonstrated facts, these two great fundamental principles, recognized and followed to their logical conclusion, will unerringly lead us to adopt the "Central gold" reserve system of England, and the "Bank Credit Currency" system of Canada. These two being combined will give us the most natural, the simplest, soundest, the most economical and the most efficient banking system in the world, and guarantee to us every natural advantage to become the financial center of the world.

DEMANDS FOR CASH VARY AS MUCH AS DEPOSIT CREDIT

Seven men sitting in Washington are just as capable of determining what the deposits subject to check should be at every bank window in the United States, and when and what amount should be loaned as they are to decide what amount of currency shall be used by 100,000,000

AN AMERICAN BANKING SYSTEM

people scattered over more than 3,200,000 square miles of territory. The one is no more absurd than the other, because the demands for both forms of credit arise concurrently side by side in a million places every hour of the day, and under conditions that are arising instantaneously and changing momentarily and constantly.

For the bankers to meet these countless situations with cash which they are compelled to buy and that costs them one hundred cents on the dollar, when they could just as well, and indeed a thousandfold better, supply it by the current conversion of bank-book credits into bank-note credits, requires an infinite amount of trouble, an almost incalculable waste of capital, a most useless consumption of time and a great expense, especially to the wage-earners and agricultural classes, that the productive forces, the people, ought not to be compelled to bear; for in the last analysis labor pays the entire cost.

ALL EXPERIENCE DISCARDED

From what has been here adduced it is perfectly clear that all the banking experience we had before the War, and the one great lesson taught by the legislation growing out of the War, have been thrown into the discard by the authors of the Federal Reserve Act.

A NARROW VISION

We have in this Federal Reserve Act a gigantic and most expensive machine for serving a purpose that is literally infinitesimal in importance and consequence compared with the vast domestic business of American commerce,—the rediscounting of a class of paper that neither the great productive nor transportation business of the United States produces, nor will produce unless

NATIONAL ISSUES OF 1916

we reverse the wheels of progress at least a quarter of a century. There is not one dollar of bank paper in the United States today in every million that can be reduced to the requirements of this ill-conceived, foreign-born, useless, but most extravagantly organized structure.

FOREIGN COMMERCE INFINITESIMAL

The value of our products in 1912 was approximately \$40,000,000,000, and the exchanges resulting from the process of preparing them for the market are estimated by Prof. Irving Fisher of Yale University at \$500,000,000,000.

Our exports in 1912 were about \$2,400,000,000, and our imports about \$1,800,000,000, or a total of only \$4,200,000,000, or less than one per cent of our domestic trade exchanges. And yet it was the distorted and exaggerated vision of the framers of the Federal Reserve Act of this infinitesimal part of our commerce that determined the whole character of the act.

FALL REQUIREMENT EASILY MET

Certainly it could have been nothing else because it was not a domestic demand that our existing organization could not meet. For in the summer of 1913 Secretary McAdoo sent broadcast over the land a wholesale invitation, crying aloud, "Come unto me all ye that are heavy laden, and I will give you rest,"—that is, relief. The calls for relief from every nook and corner instead of being for a billion or two, which the Federal Reserve Bank was organized to provide, amounted only to the insignificant sum of \$37,368,000.¹

¹ The amount of commercial paper held by all the banks has averaged from June until November, 1915, about \$40,000,000, the lowest amount being \$35,580,000 to \$45,365,000, the highest.

AN AMERICAN BANKING SYSTEM

And again, in the early summer of 1914 the Federal Reserve Bank having failed to materialize in time to meet the overwhelming demands for crop-moving purposes, Mr. McAdoo again went before the country with the United States Treasury in his hands, and offered to give liberally to anyone who felt the need of his generosity; but there came no calls for a billion, nor for a hundred million, nor for twenty-five million even, for the Treasury Department could only rake up, after a most diligent search, requests for the trifling sum of \$23,135,844, an amount which any one of several of our present banks could have taken care of without an effort.

FOREIGN EXCHANGE AND CROP DEMANDS FOR MONEY

In a rightly constructed financial and banking system for the United States, it will appear very clearly that the foreign-exchange question and the crop-moving demand for money are only incidents and would not be disturbing factors at any time.

Having demonstrated by a wealth of banking experience before the War and by historical allusions that convenience, economy and soundness in banking are measured by the facility and certainty with which bank-book credits, bank-note credits and gold are interconvertible, and having observed that all State lines were wiped out by the uniform character and universal value given the National bank notes, it remains to take up the evolution of American Banking since the War.

COMMERCIAL BANKING

Strictly speaking, commercial banking is carried on for the purpose of aiding in the production and exchange of commodities or for the convenience of those who are

NATIONAL ISSUES OF 1916

engaged in the production, transportation and sale of commodities; and the *capital* so employed should be recognized and treated as the *Commercial Fund* of the country.

Bankers at least should always keep clearly and steadily in mind that there is a very distinct, an actual, and a profound difference between the *Commercial Fund* or active capital of the country and the savings, trust or investment fund or inactive capital of the country; and that the *Commercial Fund* should never be converted into the investment fund to such an extent, at least, as to cripple the productive industries.

A commercial bank that has converted all its capital and deposits into real estate has failed utterly to keep this important distinction in mind.

SAVINGS BANKS

Mutual Savings Banks have not increased in number and extended over the United States since the Civil War, as other banking institutions have. Indeed, for all practical purposes it may be stated that there has been no extension of the system since the War. There are not more than thirty Mutual Savings Banks in the United States west of the cities of Buffalo and Pittsburg.

The conditions of the country and the habits of the people east of these two cities, before the War, all contributed to the growth of these institutions in the extreme eastern section of the United States.

The constant and ever-increasing tendency has been for the commercial banks to add the savings-bank business to their usual commercial function; until today approximately nine out of every ten banks are carrying on, either openly or secretly, directly or indirectly, both forms of banking. And, where the amalgamation is practically complete or the practice is prevalent, a

AN AMERICAN BANKING SYSTEM

Mutual Savings Bank cannot start up and survive the competition, because of the advantages the Commercial Bank has with a Savings Bank Department.

The combination then, in the United States, of the commercial and savings banks business or the performance of these two functions by one institution, may be looked upon as a fixed fact and something beyond our power to prevent, even though we should agree that these two forms or functions of banking are incompatible with each other and should not be practised over the same counter or even in the same room, though at different windows.

Broad statesmanship demands therefore that all legislation of a general or national character should recognize this fact as a permanent condition of American banking.

Further theoretical discussion is useless, for these two functions of banking are irrevocably united as matters of profit and necessity.

TRUST COMPANY BUSINESS

The tremendous development of business all over the United States and the risk involved in new ventures have led to the incorporation of almost every kind of business from selling peanuts to the construction of a transcontinental railroad. The reasons for creating companies to carry on all kinds of business are obvious and well-founded.

First. Capitalists wanted to limit their liability.

Second. More capital was wanted than single individuals had or were willing to contribute, and, therefore, to obtain the necessary amount of capital, the incorporated company became the common and essential medium of accomplishment.

Third. The advantage of limiting the individual liability of stockholders and the success in starting myriads of

enterprises that could not have had a beginning without the union of the small contributors led to the incorporation of thousands of companies which have in turn developed the spirit of cooperation which now is leading to the conversion of all business into companies greatly to the advantage of the mass of the people; for through this method they are approaching a more just distribution of the products of labor.

Such a situation has necessarily made a demand everywhere for some means of carrying out these purposes and the ubiquitous trust company is the concrete result. There is hardly a town in the United States of any size that does not have its trust company to meet the demands of that locality.

If there had been no real demand for trust companies there would have been no trust companies.

If the regular customer of some bank wanted to start a company he would naturally consult his banker and the banker in turn would want, if possible, to control the business of the new company. Both desire the same thing that the bank should act as trustee for the issuance of the stock and bonds of the new company.

In the average bank of the country town the trust business can be carried on without any extra cost to the bank, as it does not involve an extra set of clerks, nor any extra room for the transaction of such business as they are called upon to perform. And if in time it should grow to such proportions as to require additional room and help the bank will naturally provide both, because it will pay either directly or indirectly.

So universally is business carried on today through incorporated companies that the Trust Company Bank, —the usual name adopted under State charters combining the trust company business with commercial banking or savings banking, or both,—is rapidly superceding the bank that is precluded from performing the trust-company function.

AN AMERICAN BANKING SYSTEM

The result is that the other banks, to overcome the disadvantages under which they are laboring, because of restrictions imposed by National or State laws, organize trust companies which occupy the rear end of the banks, the downstairs, the upstairs, the adjacent building or the building around the corner with their rear ends conveniently abutting.

One of the banks is examined by a National examiner, the other by a State examiner; and all too often both examiners see the same identical securities in both, especially the high-class ones that may possibly cover a multitude of sins in both banks.

There is not a banker in the United States who does not know that, in the interest of good banking morals, good banking and the general welfare, this thing should be stopped, and that all the business should be carried on by a single institution and both institutions be examined by the same examiners.

In other words, the trust-banking business as a result of a universal demand is carried on everywhere throughout the United States where any kind of banking is carried on, and has become, because there was a legitimate demand for it, a distinct function in the banking business of the country. It is wholly immaterial whether we think it is a wise thing for the ordinary or average bank to perform this function or not. It is doing it, and it is the work of the statesman to meet the problem as it presents itself for solution.

The performance of trust duties, then, by the banks of the country may be set down as a fixed fact and we cannot change it even if we desired to do so.

But taking all the cities of the United States where banks are located and applying the principle of the greatest good to the greatest number, and of giving to all the people all the advantages of modern banking at the least cost and with the least inconvenience to them, all banks should be allowed to perform the trust function,

NATIONAL ISSUES OF 1916

The operations of the modern bank, then, in meeting the requirements of trade and fulfilling all the conditions of business life as it has developed through progressive evolution during the past fifty years constitute four distinct functions:

First. Commercial-bank function.

Second. Savings-bank function.

Third. Trust-bank function.

Fourth. Note-issue function.

All four of them are the natural and economic functions of a modern banking business as it is carried on in the average American city today.

ALL WOULD GAIN

It may be stated without any fear whatever of successful contradiction that there is not a single commercial or savings bank or trust company that would not be the gainer if it were empowered to perform these four functions. No bank in the United States today is lawfully performing them all, although many banks are performing them indirectly and, therefore, with a certain degree of difficulty and additional expense.

IGNORANCE AND SELFISHNESS

VS.

INTELLIGENCE AND PATRIOTISM

It is utterly astonishing how narrow, selfish, short-sighted and inimical to their own interests and their country's welfare the views of many bankers are. They view the whole financial and banking question from the point of view created by today's and tomorrow's profits at their own desks. Their vision is bounded by their bank counters. They chronically and constitu-

AN AMERICAN BANKING SYSTEM

tionally oppose any change, whatever it is, lest it may possibly disturb their present per cent of profit. In their opposition to these progressive changes they are just as absurd, ridiculous and idiotic as those laboring-men who are opposed to all inventions and discoveries which increase the productive power of each individual man, although it has been just these labor-saving devices that have raised wages from five cents to five dollars per day.

DEPARTMENTAL BANKING

When broadly viewed and commercially and economically understood, as applied to the United States as a whole today, "Departmental Banking" is the most advanced, comprehensive, mechanical labor-saving device known to the complicated affairs of our modern business methods. It is the only direct way of harmonizing the conflicting forces that are set in motion by our vast system of production, transportation, exchanges, savings, trusts and corporate interests. Commercial life is neither as simple nor as slow as it was even twenty years ago.

Departmental Banking, then, is in perfect accord with the operation of the principles of ever-increasing efficiency due to the coordination and unification of all the elements entering into our modern banking life.

If you are a national banker can you not see that you would be the gainer by having the power to conduct a savings-bank business, a trust-company business and to have the untrammelled right of note issue as they practise it in Canada?

If you are a state banker and are engaged in a commercial and savings-bank business, can you not see that you would be the gainer by being authorized to do a trust-company business and to have the right of note issue as they practise it in Canada?

If you are a trust-company man can you not see that

NATIONAL ISSUES OF 1916

it would be to your advantage to do a commercial and savings-bank business and to have the right of note issue as they practise it in Canada?

All of you should note and remember that the right to issue credit currency to the amount of your capital is giving you an additional deposit equal to the amount of your capital against which you will carry the same reserve and for which you will pay a two-per-cent tax, precisely the rate you are paying on your large checking-accounts.

THE BANK UNIT

Every banking unit that has a right to exist at all should have the privilege of performing the four functions of modern banking: commercial-banking, savings-banking, trust-banking and note-issuing. They are privileges to be exercised at its option. Circumstances will always determine whether it is to the advantage of any given bank to perform any one or all of them. It may happen that in a few of our large cities, especially under very old and fixed conditions, some institutions will preferably continue as they are.

However, a man living in a community where a bank with a capital of \$50,000 is regarded as a great institution, possibly as the leading institution of that section of the country, has just as much right to have that bank handle his estate after he is dead and gone as the multi-millionaire in New York or Chicago has to have some trust company with a capital of ten million dollars to handle his estate after he is dead and gone. Both men have an equal right to have a corporation instead of an individual trustee. The one institution is just as capable of performing its duty within its limited sphere as the other, and it is the duty of the government to see that both perform their duty with equal fidelity.

Moreover, if the people who are residents of, or who

AN AMERICAN BANKING SYSTEM

live in the neighborhood of, all our smaller cities are to have the advantages of banks performing all the functions of modern banking, then each bank should have the privilege of performing these functions because there may not be business enough along any one line to justify separate organizations; and even if there were a sufficient business for each, great convenience, economy and efficiency would be effected by combining them all in a single banking institution.

The tendency, indeed the result, of such a policy will be to give increased strength and consequently greater stability to the banking situation throughout the country by reducing the number of banks and correspondingly doubling up the capital.

Having determined what the natural and economic functions of modern banking are and that each individual unit should be permitted to perform these four functions, it remains to describe and define that organization through which the several units of a "*Commercial Zone*" should be coordinated and unified into a banking republic which should, in turn, be united with all the other "*Commercial Zones*," thus forming a complete and perfect union of all our banking interests for the mutual advantage, strength and protection of all in the interest of the general welfare.

THE CLEARING HOUSE

The "*American Clearing House*," which is purely the product of experience, has grown up not only without any statutory direction or encouragement even, but, in a single respect at least, in actual defiance of law.

Our most highly developed Clearing Houses, such as exist in Chicago, New York and some twenty other cities, are the most complete, perfect and scientific expressions of organized banking that have ever existed in the world.

NATIONAL ISSUES OF 1916

If these Clearing House organizations, which are the rich product of untrammelled experience, should be extended to all the territory that is economically within the "*Commercial Zone*" of which the respective cities are the natural credit centers, all the banks of the United States must necessarily become component, active and efficient parts of the organic life of American banking and American commerce.

With such an organization, which would necessarily include all banks, every single bank in the United States would be conscious of the fact that it was inherently and economically an active part and an efficient and responsible factor in a truly "*American Banking System.*"

We must keep constantly and vigilantly in mind that every step in the development of the "*American Clearing House*" has been taken as the result of experience,—vast and cumulative experience,—and that this is the justification for its existence, preservation and utilization, and alone can account for the fact of its perfection as a banking device. There are now more than two hundred and fifty of these institutions in the United States.

I would give more, a thousand times more, for the concentrated wisdom of fifty years of untrammelled experience expressed in the practises of the "American Clearing Houses" than for all the sublimated ignorance of Congressmen upon this great question during the same fifty years.

James C. Hallock, the leading authority on Clearing Houses, says: "In my humble judgment an earnest and enlightened study of the Clearing House would solve all the financial difficulties of the American people."

WHAT IS A CLEARING HOUSE FOR ?

The Clearing House is a means of simplifying and facilitating the daily exchange of claims against all the banks which are members of it, and of paying the bal-

AN AMERICAN BANKING SYSTEM

ances due them; and it is also a means of securing united action upon all the matters affecting their mutual welfare.

ORGANIZATION OF THE CLEARING HOUSE

The organization and operation of the most highly developed Clearing House is as follows:

First. The Clearing House has a committee who have charge of its operations.

Second. The Clearing House carries a reserve for the convenience, benefit and mutual protection of its members.

Upwards of \$200,000,000 is now being carried at the Clearing Houses of the United States for the convenience and protection of their members.

Third. The Clearing House, distrusting and tiring of all political examinations both State and National, has appointed its own examiners in over twenty of our leading cities.

In 1897, when I introduced my first general financial and banking bill, I urged that the banks should assume the examination of all banks if they ever hoped to have impartial, honest and efficient examinations.

Three distinct considerations had driven me to this conclusion: (a) The improper, unfair, dishonest and reprehensible influence that Senators and Congressmen exercised in preventing examiners, however honest and capable they might be, from protecting the interests of the depositors. I had discovered in many instances the bane, the curse, the injustice of the system of examinations then carried on because of political influence, and I felt it should be eradicated. (b) I had learned through an Englishman who was a manager of a British bank in Hong-Kong that there had not been a failure of a Chinese bank in that city for a time "whereof the memory of man runneth not to the contrary." Indeed,

that such a thing was unthinkable simply because the Chinese bankers examined all the Chinese banks and prevented failures by underwriting and taking over any bank that would not conform to their rules. How strange and interesting this fact becomes in the light of what New York and Chicago bankers have done in recent years. (c) My investigation of the Canadian banking system had led to the discovery that no Canadian bank had ever failed because of anything that had occurred at any of its branches, but were always due to the misconduct of some one not subjected to the same severe and impartial examinations as the branches.

It was just nine years after I had first urged that the banks themselves should assume the examination of the banks that the first Clearing House Bank Examiner was appointed. The circumstances surrounding this appointment were well described by Mr. James B. Forgan, president of the First National Bank of Chicago, in these words:

“Chicago was the pioneer of Clearing House bank examinations. They were inaugurated there in 1906 after the failure of a National Bank and two State Banks. These institutions were under the direct management of one man who was president of the three. The condition of their affairs when disclosed surprised and appalled the other Chicago bankers. The liabilities of the private ventures of the president had gradually accumulated in the three banks until they had absorbed the entire capital and surplus of all three, amounting to \$3,500,000 and forty-four per cent of their aggregate deposits of \$27,000,000, one-third of which was public funds.”

Following the immemorial practise of the Chinese bankers in Hong-Kong, the Chicago bankers underwrote these three banks.

As a result of a recent investigation of the character and efficiency of Clearing House examinations, the following letter from John W. Wilson, examiner of the Los Angeles Clearing House, is illustrative and illuminating

AN AMERICAN BANKING SYSTEM

because it sets forth so clearly and succinctly the advantages of Clearing House examinations.

“DEAR SIR: Replying to your inquiry of December 9th, will say that Clearing House examinations were begun in Los Angeles on May 1, 1908. Since the inauguration of the system there have been no bank failures, because the Executive Committee of the Clearing House Association will not permit banks to reach the danger-point.

“We have had one instance where, after watching a bank for three years, giving it a chance to correct its bad methods and put itself in good condition, the Clearing House finally compelled it to assign all of its assets to a trustee, and the public was notified that all claims would be paid on demand. . . .

“National and state examinations have improved greatly during the last ten years, but they will always lack the strongest element—the calm, clear judgment of the local executive committee, whose demands are founded on knowledge of the situation, and whose mind is not warped by political strings.

“Yours very truly,
(signed) JOHN W. WILSON,
Examiner, Los Angeles,
Clearing House Assn.”

This is nothing more than the establishment at Los Angeles of the immemorial practices of the Chinese bankers of Hong-Kong, where, as I have noted, the bankers examine the banks.

I assert that the Clearing House examination is the greatest single banking reform of our American banking business, and that under no circumstances should we allow anything to take its place. It is absolutely essential to sound and safe banking in this country, and nothing but political madness and economic idiocy will substitute political examinations in place of them.

Fourth. In actual defiance of the statute imposing a tax of ten per cent upon any credit issued by a bank to circulate as currency, the Clearing House has issued

NATIONAL ISSUES OF 1916

many different forms of credit intended to do the work of cash.

According to the report of the comptroller of the currency, the total amount of all the extraordinary forms of credit intended to serve the purposes of cash during the panic of 1907 was \$248,297,700.

In May, and again in December, previous to the month of March, 1907, when the panic struck us, I had introduced a bill to meet the emergencies of the impending panic by providing for an issue of credit currency amounting to \$250,000,000, less than one million and three-quarters in excess of the amount of extraordinary forms of currency actually used. These extraordinary issues of credit took the form of Clearing House certificates up to \$100,000 each and Clearing House checks for one dollar, two dollars, five dollars, ten dollars, twenty dollars, fifty dollars and one hundred dollars each, and were issued in all parts of the United States from the Atlantic to the Pacific.

Of this panic a prominent banker said: "The truth is that responsibilities for the panic of 1907 lie at the door of our currency system. No other adequate cause can be found. We do business by the modern system of bank credit, but we have failed to supplement this machinery with the means for readily converting bank credits into cash."

This is absolutely right, and it only remains to add to it the principle laid down by Hamilton,—the interconvertibility of bank-book credits, bank-note credits and gold precisely as practised in Canada, Scotland, France, and as was successfully carried on in thirteen different States before the Civil War.

RULES ADOPTED BY CLEARING HOUSES

Clearing Houses have without any authority of law adopted the following rules for their guidance and control: (a) They have fixed charges for services; (b)

AN AMERICAN BANKING SYSTEM

they have provided reserves for their convenience; (c) they have forced all the banks which are members, and all those clearing through them, to submit to examinations; (d) they have not only issued Clearing House certificates for use in settling balances, but for circulation as currency in denominations of \$1, \$2, \$5, \$10, \$20, \$50, \$100 to meet the demands of trade.

Here, then, is the most marvelous machine known to the commercial world. It has come to its completeness by the sure process of evolution. Nothing is obviously wanting to make it more fit to meet the exacting demands of trade within its sphere, although, as a result of the interference of statutes, some of the methods it has been forced to adopt have crippled its facility and interfered with its efficiency.

This most highly developed Clearing House is a complete and perfect type of what the superstructure of a truly American banking system must be.

STRUCTURE AND POWERS OF THE CLEARING HOUSE

First. The Clearing House Committee or the Board of Managers.

Second. The examination of Member-banks or the supervision of banks.

Third. The deposit of funds for the convenience and mutual protection of Member-banks or the establishment of a united reserve.

Fourth. The issuance of Clearing House certificates and cashier's checks or the direct creation of credit currency by the individual banks.

Every business man and every banker should remember these two very important facts:

First. That every one of these four functions, of these four practices, is the rich fruitage of long experience and that they all exist, not only without the aid of law, but in a measure in actual defiance of law.

NATIONAL ISSUES OF 1916

Second. That all Anglo-Saxon civilization expressed in the terms of statutory law is the enactment of the practices and habits of the people.

THE SIMPLEST, MOST PERFECT, SOUNDEST AND STRONGEST BANKING SYSTEM IN THE WORLD

I assert that if we should extend this Clearing-House organization to all the banks naturally related to each economic center, thus creating forty-five or fifty Commercial Zones in the United States, and should then bind these Commercial Zones together by uniting all of their separate reserves into one common reserve for the mutual convenience and protection of all the banks of the country, we should have the simplest, the most natural, the most economical, the most efficient, the soundest and strongest banking system in the world.

A banking system created in this way would be purely the product of evolutionary changes growing out of adjustments suggested by our experience covering more than a century and a quarter, and therefore would be marvelously adapted to our peculiar conditions and particular needs.

Such a banking system would be the freest conceivable, consistent with soundness, and without comparison the most convenient and economical in the world. It would be the least troublesome and the least burdensome to the bankers, and at the same time the most advantageous and the least expensive to the people.

Such a banking system would be founded upon our own experience and would recognize only those practices that had been proved to be sound economically and most efficient in operation.

INCONTROVERTIBLE FACTS PROVED BY AMERICAN HISTORY

First. The most convenient, the cheapest, the soundest currency in the world is created by *making bank-*

AN AMERICAN BANKING SYSTEM

book credits, bank-note credits and gold interconvertible, a principle laid down by Alexander Hamilton and illustrated by the two United States banks, the State banks of Virginia, Louisiana, Kentucky, Ohio, Indiana, Iowa, Missouri and the banks of the six New England States all working together, and also as well today by the Bank of France, the eleven banks of Scotland, and the twenty-four banks of Canada.

Let me illustrate this fundamental truth, this all-important principle in a way that cannot help carrying conviction and driving every intelligent man to the conclusion that as matters stand today this country is being deprived of one of the greatest wealth-producing and coincidentally the most effective wealth-distributing forces ever employed by man.

Now, has it ever occurred to you in what the great, the incomparably greatest resources of our country consist? Certainly not in the mines, forests or fields which are rapidly being exhausted, but rather in the creative and productive powers of the people which are inexhaustible,—indeed, the more we attempt to exhaust the human resource by working it the richer and more inexhaustible it becomes.

Four mighty forces of governmental origin have contributed to the development of an individual citizenship on this continent that has no parallel anywhere in the world.

Two of these forces are social and two are economic.

The two social forces are:

First. The complete, the absolute separation of Church and State—or freedom of conscience.

Second. Our free Public School system, or the development of our mental resources.

The two economic forces are:

First. The Homestead Act,—the equitable distribution of the public domain,—and the consequent establishment of universal proprietorship in the people.

NATIONAL ISSUES OF 1916

Second. The individual, independent banking system or the proximity and propinquity of the borrower and the lender,—that is, living in the same locality and having like neighborhood associations and sympathies.

But the last of these forces has been robbed of a very large, if indeed not the major, part of its real virtue or true value to the people, because of the statutory limitations and restrictions of the natural law of credit.

In the light of history it is not too much to say that if the producers of wealth of all classes had had the privilege of exercising their natural right to exchange the credit to which their intelligence, character, capacity and industry entitled them, although unknown, for the credit of their bankers, whose credit was well known, with no further limitations or restrictions than the law of the interconvertibility of bank-book credits, bank-note credits and the established standard of value, the wealth of the United States would be vastly greater than it now is.

Furthermore, practically all such additional wealth would now be in the hands of the great mass of the people,—largely in the hands of the agricultural classes, because they have been deprived of the right to exercise this great and incalculable privilege.

The fact that the agriculturists have been the greatest losers, the greatest sufferers, is due to the circumstances surrounding them while they were settling and developing the vast domain of this great country. Anyone at all familiar with the conditions of a new settlement, especially in the distinctly agricultural regions, knows that there was nothing to make deposits with. There were no accumulations to loan out and there was absolutely no way, especially after 1865, for the new settler to exchange his credit for the credit of the local banker as he had done with absolute safety to the note-holders in all those States that were fortunate enough to have adopted the principle laid down by Hamilton. The

result has been that the American people have been deprived of the use of hundreds upon hundreds of millions of credit. Again, the absence of this credit has compelled the pioneer banker to charge two or three or even ten times as much interest as he would have charged if this exchange of credit had been permitted.

That the American people have suffered an almost incalculable loss during the last fifty years, simply because they could not fully capitalize their human resources through these forms of credit, no intelligent thinker upon this question will deny. Of course, the people have been able to do this to some extent, but the loss expressed in the differential would be appalling if the figures could be even approximated.

The incontestable proof of this conclusion is found in these facts: (a) That Scotland, as MacLeod says, was lifted from ignorance, pauperism and barbarism by the "*Bank Credit Currency*" and cash credit system to the proud claim of having one of the most prosperous peoples in the world. (b) The "*Bank Credit Currency*" system and the French Banquier system, which is the counterpart of the cash credit system of Scotland, have made the French people, from the standpoint of the masses, the richest people in the world. The French Banquier system is a simple process by which the producers of consumable commodities make drafts upon the buyers of their products, and when they have been accepted, sell them in the open market. (c) Wherever the French Banquier system has made inroads upon other countries the result has been the same invariably. Belgium, Switzerland and Italy have all profited greatly by it. But no country has gained so much through it as Germany, where, within the last thirty years, it has made a most profound impression upon German industries, if you contrast their present condition with what they were prior to its adoption. (d) Identically the same principle is finding expression in two other channels—

in Germany, most significantly, but in other countries as well. I refer to the Schulze-Delitzsch and Raiffeisen systems which have been breaking through the crust of traditions that grew up out of organized and legalized greed and are overcoming the barriers of credit monopoly, precisely as the free use of mutual and cooperative credit has always done. (e) A no less potential force of the same character has brought to the people of Great Britain most marvelous results through the great cooperative credit societies.

There is not the slightest difference in principle between the operation of the banks of Virginia, Louisiana, Kentucky, Ohio, Indiana, Iowa, Missouri and the six New England States before the Civil War and the Scotch banking system, the French banking system, the Schulze-Delitzsch and Raiffeisen systems of Germany and the great cooperative societies of Great Britain.

The only distinction is in the application of the principle. The only differentials that can be pointed out are all born of the conditions under which the principle has been applied. The Raiffeisen system so much lauded today is only the revival in Germany of the Scotch system of two hundred years ago. *Both are founded upon mutual aid to self-help through credit. Both are illustrations of the democracy of credit founded upon intelligence, character and industry.*

All of these various instances covering a period of more than two hundred years illustrate without the slightest variation the same principle,—banking upon credit, based upon the seemingly intangible asset of the human resource applied to the production of consumable commodities. And, just because the human resource is the chief, the only inexhaustible resource of any nation when applied to the production of the necessities of life, these various banking systems have proved to be the greatest, the most productive sources and the most effective and just distributors of wealth and at the

AN AMERICAN BANKING SYSTEM

same time the most efficient and sound financial agencies in the history of the world.

But the only guarantee that these or any other banking systems will remain sound is that all commercial credits are daily put to the test of redemption in the recognized and established standard of value,—the only touchstone of sound banking conditions. Today, the recognized and established standard of value is gold, and therefore current daily redemption of all credit must be in gold.

The one single banking principle, then, that is just to all the people, that is essentially democratic, that will call out the inventive genius of man, and develop all his powers, widen his vision, strengthen his character and approximate a just distribution of the products of his labor, is that of basing credit upon the human resources of the country when applied to the productive industries, and that credit being kept as good as the adopted standard of value by a constant redemption in it.

We have already seen that whether the Scotch banker in 1715 was exchanging his known credit for the credit of a poor Scotch boy who wanted to make shoes or rent a few acres of land for farming purposes, or whether the Bank of France in 1815 was exchanging its credit for that of the impoverished French peasant, or insignificant shopkeeper, or the Mutual Aid Association of Schulze-Delitzsch in 1915 is exchanging its combined credit for the credit of the poor urban artisan who has no capital save his honesty, skill and industry, but is groping to find the path to self-help; the principle is identically the same. Nor did the principle change when the first United States Bank began to exchange its credit for the credit of the struggling merchants and incipient manufacturers in 1791 when there was little or no deposit capital to use. Nor was any other principle invoked when the banks of Virginia exchanged their

NATIONAL ISSUES OF 1916

credit in the form of bank notes which passed current for the promissory notes of the farmers who were engaged in the production of tobacco and cotton in localities where there were no deposits made at all, or at least none worth mentioning. But what was done in Virginia, where there were no deposits worth speaking of, was also done in Louisiana, Kentucky, Ohio, Indiana, Iowa, Missouri and the six New England States.

Throughout all these States the achievements and results growing out of this natural use or employment of credit had precisely the same effect, wherever enjoyed, as the bank notes of Scotland had upon Scotland, which MacLeod likened to the fertilizing waters of the Nile.

Has this great people, the leading nation of the world, forgotten? has it lost, has it forfeited that incomparable wealth-producing, that incomparable wealth-distributing art?

Have not the farmers of Virginia, who are still producing cotton and tobacco, the same natural right today, and should they not have the same legal right to exchange their credit, expressed in the form of promissory notes due in three or four months for the "*Bank Credit Currency*" of the banks of Virginia due on demand that they had before the Civil War? Have not the farmers and legitimate producers of Louisiana, Kentucky, Ohio, Indiana, Iowa and Missouri the same natural right today, and should they not have the same legal right to exchange their credit in the form of their promissory notes due in three or four months for the "*Bank Credit Currency*" of the banks of their respective States that they had before the War?

Have not the manufacturers and fishermen of New England the same natural right today and should they not have the same legal right to exchange their credit expressed in promissory notes due in three or four months for the "*Bank Credit Currency*" of the banks of New England precisely as they did before the War?

AN AMERICAN BANKING SYSTEM

Is there a single banker in the United States, State or National, who, being placed under oath, would say that his cashier's checks (for that is just what "*Bank Credit Currency*" is), if made a first lien by statute upon all his bank's assets, would not be good? Nay, more; will any banker say that the checks of any cashier which are a first lien upon all the bank's assets would not be good?

But do I hear some voice in this audience, or the echo of some voice, whose master has departed, asking about that "Blue Pup," "Red Dog," "Yellow Dog," and all the other Doggone money we had before the War? Don't you know that practically every dollar of that Dog money, all that unsavory litter of pups, was bond-secured currency, —bank notes secured by State stocks, State bonds, railroad bonds, turnpike bonds, or something equally good or equally bad, as the case might be?

All that money was begotten of that will-o'-the-wisp, that phantom of phantoms, that insane delusion that you can make *money* out of a debt due on demand by securing it with another debt due a long way off, called a bond.

Let me tell you once and for all that the man has never been born who, even though he be king or emperor, can make money out of a debt. Nor has the legislative body ever yet been convened that even in the name and majesty of a great people can make money out of a debt. *Nor can either of them, nor both of them combined, make one dollar of money out of forty cents' worth of gold and sixty cents' worth of debt.*

ISSUANCE OF BANK CREDIT CURRENCY NOT DANGEROUS TO A BANK

Is there a single banker in the United States who thinks that it would be more dangerous to issue "*Bank*

NATIONAL ISSUES OF 1916

Credit Currency" than to take an equal amount of deposits? In the one case he exchanges the bank's notes for the promissory notes of his customers; while in the other he gives to his customers credit on his books subject to check in exchange for their promissory notes.

Does not every banker know that if suspicion should attach to his bank the depositors would break his bank with their checks long before the note-holders could get there?

Cannot every banker see that if his bank should issue an amount of currency equal to its capital and that that currency was guaranteed by a fund of \$75,000,000 and was also a first lien upon all the bank's assets, the tendency would be to convert deposits into currency rather than to draw them out?

BANK CREDIT CURRENCY IS ONLY A DEPOSIT

Certainly every banker can now see that the adoption of this principle would increase his deposits on the average to the amount of his capital. The paid-up capital of the Canadian banks is \$109,000,000. The total bank deposits of Canada approximate \$1,000,000,000. The "*Bank Credit Currency*" in circulation in Canada is approximately \$100,000,000 and, therefore, it may be assumed that the deposits in Canada are about \$100,000,000 larger than they would be if Canada did not have the advantage of a "*Bank Credit Currency*" system.

The bank capital of the United States is approximately \$2,000,000,000 and the total deposits approximate \$18,000,000,000. Therefore, it may be assumed that our deposits would be increased by at least \$1,500,000,000, or nearly ten per cent of our total deposits if we should adopt the "*Bank Credit Currency*" principle. But all experience shows that the average of the country banks would certainly equal their capital, while the cir-

AN AMERICAN BANKING SYSTEM

ulation of the banks in our great financial centers would fall a little short of the amount of their capital.

Are the bankers of this country willing to throw away the opportunity of increasing their deposits \$1,500,000,000? That is the pertinent question every man of them is up against. Let every banker ask himself what it would be worth to him to increase his deposits, on the average, to the amount of his capital. Let him inquire what he would save in trouble and expense and make in actual profits if he could only have the advantage of a "*Bank Credit Currency*" system.

Let every banker remember that the "*Bank Credit Currency*" of a country is always controlled precisely as checks and drafts are controlled, the amount never being too great, never too small, but always just equal to the demands of trade, and that the American Clearing House will always be the unerring talisman of the country's requirements.

BANK ACCEPTANCES

Although credit, as I have demonstrated, is the most potential, beneficent, facile, efficient and incomparably the most economical capital in the world, indeed the only wonder-working, miracle-working capital in the world when used in the employment of human resources devoted to the production of necessary consumable commodities, it may become the source of incalculable harm when lavishly and recklessly extended to the people during periods of rapid development, over-expansion and speculative ventures. It is during such times as these that accommodation-paper becomes a most dangerous and destructive force and the certain forerunner and cause of those most terrible commercial crises in the history of the world. Like fire and water, credit is the most beneficent of all servants, but the most terrible and cruel of all masters.

NATIONAL ISSUES OF 1916

ACCEPTANCE IS AS MUCH A LIABILITY AS A DEPOSIT

Herein lies the all too possible, yes, certain danger of acceptances, which, like bank credit subject to check and "*Bank Credit Currency*," should be protected by the same law of reserves. Such a law would always serve as a safeguard and salutary check. Indeed, this rule becomes more essential in this country than in any other in the world for four very specific reasons: (a) It would not limit the judicious use of the practice where it would be actually needed most in aid of our productive industries, as a rule limiting acceptances to the amount of the capital would. At the same time, the banker is constantly kept on guard by the necessity of carrying the reserve and treating his acceptances as liabilities. (b) There should be such protection given to acceptances in this country because there are now nearly thirty thousand individual, independent banks in the country identified with and limited to the environment of single cities whose interests the local bank will always espouse, whose enthusiasm, in periods of speculative prosperity, it will always share. (c) These thirty thousand banks are not now and in the very nature of things never can be managed by men who comprehend and appreciate the principles of banking economics in their true national bearing. (d) We must not forget that we are living in an age of marvelous developments and rapid changes in our business affairs and in a country, too, of vast undeveloped resources which are always calling loudly upon us and promising fabulous profits.

These are urgent reasons for the application of a few broad fundamental principles to American banking, and there are at the same time equally urgent reasons for a complete freedom from crippling restraints and a stifling and stagnating red-tape, strait-jacket policy that will do incalculably more harm than good.

Rules and regulations by the ream are apt to produce

AN AMERICAN BANKING SYSTEM

in unexpected ways the very evils they are intended to prevent. Again, it may be laid down as an historical fact that if two or three broad fundamental principles are established and followed, all your rules and regulations will prove worse than worthless. And if these same broad fundamental principles are not established and obeyed, all the rules and regulations in Christendom will not save us from final overwhelming disaster.

Second. The great incontrovertible fact is that for the convenience, advantage and profit of the American people we should adopt a "*Bank Credit Currency*" system, the United States government furnishing all the notes for the purpose of securing a uniform currency, and that all this currency should be receivable at the counters of all National banks precisely as our National bank notes are for the purpose of giving them a universal value everywhere throughout the United States; *but they should go to the Clearing Houses daily for redemption precisely as all other bank debts do.*

Third. The third incontrovertible fact is that every Clearing House that is located at the natural credit center of every "*Commercial Zone*" in the United States should be incorporated and extended to all the banks within the respective "*Commercial Zones*," thus coordinating and unifying all the banks of each zone into a harmonious system for the purpose of supervision, the rapid redemption of all bank debts and the protection of every bank in the several zones, precisely as the Member banks of our most highly organized Clearing Houses are supervised and protected today.

COOPERATION IMPLIES MUTUAL OBLIGATIONS

But the privileges and incomparable advantages growing out of a cooperative union of all the banks in a "Commercial Zone" for such mutual convenience, advantages and

NATIONAL ISSUES OF 1916

protection must necessarily imply common obligations with respect to capital and reserves.

WHAT IS THE CAPITAL OF A BANK FOR?

The primary object of bank capital is to carry on successfully the business and therefore it should always be sufficient to accomplish this purpose.

The secondary object of bank capital is to protect those who may do business with the bank,—a guarantee against loss. This fact is accentuated by the double liability imposed upon the owners of bank stock. The effect of ample capital and the double liability clause is to give confidence and secure deposits from the people,—the public.

BANKS ARE QUASI-PUBLIC INSTITUTIONS

That the banking business is a quasi-public business and is so regarded both by the National and by the State governments is conclusively proved by the fact that both the National and State governments require a double liability upon the bank stock and assume the supervision of the business in the interest of the people, the public, prescribing precisely how both the capital and deposits shall be invested.

Experience has shown that, on the average, deposits should not exceed the capital more than five times, especially where the banks stand isolated and are in the last analysis dependent upon their own resources for protection in times of extreme pressure. Undoubtedly, if all the banks of a "*Commercial Zone*" were united as outlined, they could carry on their business with greater safety to their depositors, even though the deposits should be ten times the capital, provided that the cash

AN AMERICAN BANKING SYSTEM

reserves and their united reserves combined were ample to meet the exigencies of all ordinary times, including panics and those crises which grow out of overtrading and periodic speculation.

Every financial and banking system should be equal to such emergencies; but no financial and banking system could be equal to some situations that might possibly arise, such as the present European difficulty, without resorting to some extraordinary remedies.

All the banks, therefore, of a zone which unite for their mutual convenience and common protection should be willing, and should be compelled to provide the same amount of capital relatively. That is, deposits should not exceed the capital beyond a prescribed limit.

In other words every member of a cooperative association of all the banks should work within the same margin of capital insurance; for the capital is an insurance fund for the protection of the depositors of the bank against *ultimate* loss, and the prescribed margin should not be exceeded.

WHAT ARE THE RESERVES OF A BANK FOR?

A reserve is something held back to meet an emergency. Bank reserves are held for the purpose of enabling a bank to meet the demands of its depositors under any and all circumstances outside of war conditions.

It follows, therefore, that ample reserves must actually exist in some form at all times. But all of a bank's reserves need not necessarily be in its own vault all of the time.

Bank reserves may be in three forms:

First. Reserve money (gold) on hand.

Second. Reserve money in a united reserve of all the banks of a "*Commercial Zone*" or of all the banks of the United States combined.

NATIONAL ISSUES OF 1916

Third. Such a class or character of assets and such facilities as will enable a bank to convert those assets into reserve money or gold immediately to meet any emergency if necessary.

But the theory that bank reserves may be a mere myth or consist of wind, water or debts only is the most misleading and dangerous fallacy that can possibly be entertained.

Walter Bagehot, the great banking economist, said:

“I have tediously insisted that the natural system of banking is that of many banks keeping their own cash reserves, with the penalty before them if they neglect it.”

In another place he says:

“Of course, in such a matter the cardinal rule to be observed is that errors of excess are innocuous, but errors of deficit are destructive. Too much reserves only means a small loss of profit, but too small a reserve may mean ruin. Credit may be at once shaken, and if some terrifying accident happens to supervene, there may be a run on the banking department that may be too much for it, as in 1857 and 1866, and may make it unable to pay its way without assistance, as it was in those years.”

And again he writes:

“Why should a bank keep any reserve? Because it may be called upon to pay certain liabilities at once and in a moment.”

Another great English economist, W. Stanley Jevons, says:

“There is a tendency to frequent severe scarcities of loanable capital, causing sudden variations of the rate of interest, almost unknown thirty years ago. I will therefore in the next chapter offer a few remarks intended to show that this is an evil naturally resulting from the excessive economy of the precious metal which the increasing perfection of our banking system allows to be practised, but which may be carried too far, and lead to extreme disaster.”

AN AMERICAN BANKING SYSTEM

Again he says:

“The vast trade of the country cannot be placed upon a sound basis until the force of public opinion among bankers imposes upon each member the necessity of holding a cash reserve, bearing a fair proportion to the liabilities incurred. It matters little who holds the reserve, provided it actually does exist in the form of *metal*, and is not evaporated away, by being placed at par, or deposited with other banks which make *free use of it*. In the absence of some common action among bankers it is certain that the sensitiveness of the money market will increase, and it is probable that commercial crises will from time to time recur, even exceeding in their violence and disastrous consequences those whose history we know too well.”

No one who has been a student of this great question during the last twenty-five years and has carefully watched the situation here and abroad; who has read and read again and again the ever-repeated warnings of the Bank of England and the leading bankers of London, and the repeated urgent, insistent demands of Herr Havenstein, President of the Imperial Bank of Germany, calling upon the bankers of these two great countries to carry a cash reserve of at least ten per cent in addition to that carried at their central institutions, could fail to be most deeply impressed and compelled to conclude that our banks should carry, in addition to a specified central reserve, an actual cash reserve ranging from six to ten per cent according to the circumstances surrounding their business.

In other words the *actual cash reserves* held in the United States should range from fifteen to twenty per cent under the most favorable circumstances, for in the long run nothing will be gained, but much lost, by weakening our bank reserves to the danger-point; more especially so if they are composed of government debts,—United States notes,—and silver, neither of which are fit for reserves because they are only demands for gold.

NATIONAL ISSUES OF 1916

HOW TO INCREASE YOUR BANK RESERVES IF NECESSARY

If a bank is carrying only ten-per-cent reserve today it should be compelled to increase its reserves under the most favorable circumstances to at least fifteen per cent or by five per cent.

Under a proper currency system this could be done by the bank simply holding the gold or gold certificates it receives from day to day to the extent of five dollars for every hundred dollars of its deposits, and issuing its own notes for a corresponding amount.

The result would be that the bank would increase its liabilities only five per cent, but would increase its reserves fifty per cent and at a cost to itself of only thirty cents annually to every one hundred dollars of deposits, or six per cent upon a reserve of five dollars held against the one hundred dollars of currency put out,—three dollars on one thousand.

But considering the increased strength of the bank because of the additional reserves, and the fact that you can secure an additional deposit equal to your capital by issuing currency to the amount of your capital, the extra cost of the increase in your reserve would be very small indeed. On the average the gain to the bank would be about three thousand dollars at an additional cost of only ninety dollars.

IMPORTANCE OF A UNITED NATIONAL RESERVE

Conclusively as it has been proved by experience that every Clearing House which is located in the economic center of a "Commercial Zone" should have a united reserve for the convenience and mutual protection of all the member banks of that zone, it is even more essential that there should be a United National Reserve for the convenience and protection of all the economic

AN AMERICAN BANKING SYSTEM

centers; for the banking business is distinctly a national business and every bank in the United States is a unit, helpful or dangerous, in the organic life of our interstate commerce,—the most important part of which is our banking business.

THE DUTY OF EVERY BANK

It is highly important, then, that the reserves of every bank should bear a direct relation to its liabilities and be adequate to meet its responsibilities. This is essential because if part of the banks fail to provide their proper proportion of the reserves and as a result are compelled to resort to the reserves of others, the banking situation is correspondingly weakened and a business disturbance is threatened, if indeed a panic is not precipitated and the disastrous consequences of a crisis suffered.

Every bank, then, should be willing to furnish its due proportion of that United National Reserve, which will enable it to meet any emergency that may arise in the business affairs of the whole country. Indeed, every bank should be compelled to contribute its due proportion of the country's reserves as a matter of common protection to the whole country.

BANKING IS INTERSTATE COMMERCE

Article three, section eight, of the Constitution empowers Congress "to regulate commerce with foreign nations and among the several States and with Indian Tribes."

Upon this clause of the Constitution rests the Anti-Trust Law. What have we not done under this clause of the Constitution and "the general welfare" clause?

We have passed the Food and Drugs Act, giving the

NATIONAL ISSUES OF 1916

government power to stop the use of poisonous substances in food products and drugs:

The Insecticide Act, giving the government power to determine what kind of poison shall be used to annihilate bugs:

The Plant Quarantine Act, giving the government power to regulate the importation of nursery stock and other plants and products and to enable the Secretary of Agriculture to establish and maintain Quarantine Districts for plant diseases and insect pests:

The Live Stock Quarantine Act, to enable the Secretary of Agriculture to suppress effectually and extirpate contagious pleuro-pneumonia, foot and mouth diseases and other dangerous infectious and communicable diseases in cattle and other live stock:

The Meat Inspection Act, whereby, for the purpose of preventing the use in interstate or foreign commerce, of meat and food products which are unsound, unhealthy, unwholesome, or otherwise unfit for human food, the Secretary of Agriculture at his discretion may cause to be made, by inspectors appointed for that purpose, an examination and inspection of all cattle, sheep, swine and goats before they shall be allowed to enter into any slaughtering, packing, meat-canning, rendering or similar establishments in which they are to be slaughtered, and where the meat and meat-food products thereof are to be used in interstate or foreign commerce.

The Twenty-eight Hour Law by which the government compels the humane treatment of cattle:

Employers' Liability Act:

The Safety Appliance Act:

The Hours of Service Act:

The Transportation of Explosives Act:

The Newspaper Publication Act:

The White Slave Act.

Can anybody doubt that we shall have a National Health Act by which the government can stop the

AN AMERICAN BANKING SYSTEM

invasion of this country by yellow fever, cholera, bubonic plague or any other scourge that may possibly visit our shores and sweep over the land?

Can anybody doubt that we shall soon have a National Child Employment Act by which the childhood and youth of the land may be protected against those labor practices that imperil our chief national resource, the human resource?

Can anyone doubt that we shall soon have a National Women's Employment Act so that future generations may not be pauperized in health, strength and character?

Can anyone doubt that we shall soon have a National Workmen's Employment Act to the end that American citizens in all parts of the United States engaged in our productive industries shall have equal opportunities in matters of hours of labor?

The general welfare of this nation demands strength, power and greatness; but the strength, power and greatness of this nation reside and consist in the character, health, strength and power of the people, and therefore conservation of our great national resource is the conservation of our human resource. The citizen is a national asset.

Can anyone doubt that justice between the employers of labor in our various States and the general welfare of this Republic demand uniform health and labor laws to the end that the citizenship of this Republic may be the best product of the human race?

Certainly if all these things are done, can be done and ought to be done by the National government, can anyone doubt the soundness of this proposition: That it is interstate commerce to ship by mail, or freight, any kind of property from one State to another?

What is property? Property is a thing or things subject to ownership; anything that may be exclusively possessed and enjoyed; chattels, lands, possessions. Gold, gold certificates, silver, silver certificates, United

States notes, checks, drafts, promissory notes, are all certainly within this definition.

The Century Dictionary defines commerce as "Interchange of goods, merchandise or property of any kind; trade; traffic." It says: "Interstate Commerce specifically in the United States, is *Commercial transactions and intercourse between persons resident in different States of the Union* or carried on by lines of transport extending into more than one State. Its synonyms are,—*business communication, communion, intercourse.*"

H. D. MacLeod, the ablest and highest authority I know on banking economics, says:

"*Property* therefore in its true sense means solely a *right interest or ownership*, and consequently to call goods or material things property is as great an absurdity as to call them *right interest or ownership*.

"To call goods themselves property is, comparatively speaking, a modern corruption and we cannot say when it began."

Therefore I assert that property as defined by MacLeod is primarily and essentially the very thing with which banking is solely concerned.

In confirmation of this same view I invoke the Century Dictionary's definition already quoted when it says: "Commerce is the interchange of goods, merchandise or *property of any kind*," necessarily meaning "solely a right interest or ownership."

Will anyone deny that gold is property? Remember that when gold is shipped in large quantities it is by weight and not by count.

Will anyone deny that gold certificates are property?

Will anyone deny that silver is property?

Will anyone deny that silver certificates are property?

Will anyone deny that United States notes are property?

Will anyone deny that promissory notes are property?

AN AMERICAN BANKING SYSTEM

Can anybody have the hardihood to say that if a note-broker in New York ships a million dollars' worth of commercial paper to purchasers in the West upon a commission of a quarter or a half per cent, and receives his payment, for the sake of the argument, let us say, by a shipment of gold coin, such broker is not engaged in interstate commerce? Does this transaction become a different transaction, forsooth, because it is carried out by a banker?

Will anybody deny that checks and drafts and bills of exchange are property?

Will anybody deny that a bank has property, although it may be the owner of one million dollars' worth of promissory notes?

Will anybody declare that a bank has no property when it has a million dollars' worth of gold coin in its vaults?

If a bank in Chicago should by any chance own one million dollars' worth of wheat, and should sell and ship the same to a New York bank, and the New York bank should ship the Chicago bank one million dollars' worth of gold, will anybody deny that they are engaged in interstate commerce? Now suppose that the Chicago bank, instead of shipping it, should sell the wheat in Chicago to Mr. Armour for his promissory note for one million dollars, due in thirty days, and that the Chicago bank should then sell, and mail the note to the same New York bank, and the New York bank should ship the Chicago bank one million dollars in gold, in payment for the note, will anyone have the hardihood to assert that this transaction is not interstate commerce?

Will anyone deny that the sale and shipment by note-brokers of billions upon billions of promissory notes from one State to another every year is not interstate commerce, but that to ship eggs, apples, potatoes, chickens, grain, cotton and live stock is interstate commerce?

NATIONAL ISSUES OF 1916

I assert that it is just as proper and important that the National government inspect this paper, and the banks that create it or ship it or buy it, as it is to inspect the sheep, hogs, cattle, slaughter-houses and the meat they turn out in order that it can protect the people of the United States. If the paper so shipped is infected by the hand of a rotten maker, commercially speaking, and the bank sending it out and responsible for it is not carrying an adequate reserve to meet the paper, should the maker fail to pay it, the harm done is vastly greater than that resulting from slightly infected meat. How much infected meat would it take to do the harm, the damage to the American people that resulted from the panic of 1907? And yet, if we had had a wise, national financial and banking system we need never have passed through the harrowing, wasting panic that resulted in destroying property values into the billions; in the death of thousands of the people directly and indirectly; in the ruined health of tens of thousands more; in the non-employment of hundreds of thousands; and in the unknown and immeasurable suffering that ensued.

Such a national system must be supported by every banking unit; by every individual bank carrying its part of the commercial burden, and providing its proper share of the insurance of commercial safety by contributing its proper proportion of the necessary reserves, both local and national.

OTHER INSTANCES OF INTERSTATE COMMERCE IN THE BANKING BUSINESS

If some water or gas company located at Columbus, Ohio, should file a mortgage there to secure an issue of bonds and then express the mortgage to some trust company in New York City for the purpose of having it act as a trustee for the bondholders, and such trust company

AN AMERICAN BANKING SYSTEM

should proceed to do so and in pursuance of its duties should ship out the certified bonds, should receive remittances to cover the interest on the bonds and disburse the same, will anyone deny that such a trust company is engaged in interstate commerce?

Again, if a trolley-line running across the States of Ohio and Indiana should use the same trust company for the same purpose, will anyone deny that the trust company is engaged in interstate commerce?

Again, if a trust company should accept the execution and care of a personal estate that involved the shipment of money or what is the same thing, *checks or drafts, which are property* to every State in the Union, will anyone deny that it is engaged in interstate commerce,—“that is shipping property from one State to another”?

If it is admitted, and it must be, that these acts constitute interstate commerce, then the National government, under the Constitution has the right and power to control these instrumentalities of interstate commerce.

But the power to control these instrumentalities must be sufficient to define the powers of the instrumentalities.

It follows, therefore, that if the National government should give National banks the power to execute trusts in accordance with the laws of the respective States where located, there could be no more conflict with the laws affecting or controlling estates than there is with the law-merchant of the respective States where National banks are doing business today, such as usury laws and laws affecting commercial paper and mechanics' liens.

Any bank, State or National, that receives money, commercial paper, checks, drafts or any other form of property from any point outside of the State in which it is located, is engaged in interstate commerce.

Any bank, State or National, that sends money, commercial paper, checks, drafts or any other property from

NATIONAL ISSUES OF 1916

the State where it is located to any point outside of the State in which it is located, is engaged in interstate commerce. In both of these cases the National government has the power to control this business by prescribing the rules for its conduct.

GENERAL WELFARE CLAUSE

It will be remembered that when the law was passed authorizing postal savings banks, this clause, which was supposed at the time to have been drawn by President Taft, was inserted:

“Sixty-five per cent of the deposits could remain with the banks as a working balance, and also a fund which may be withdrawn for investment in bonds or other securities of the United States; but only by direction of the President and only when in his judgment the general welfare and the interests of the United States require.”

Similar language could be used with regard to the prescribed reserves as a justification for creating them.

POWER OF TAXATION

It will be remembered that when Secretary Chase sought to compel all banks desiring to issue bank notes to purchase United States bonds as a basis for them, he secured the passage of an act imposing a tax of ten per cent upon all bank notes issued by State banks.

Taking deposits subject to check and issuing bank notes are, as we have seen, absolutely identical in principle; and, barring the law above referred to, the one is as lawful as the other; and both are equally lawful today so far as the National bank is concerned if the bank will only pay the tax of ten per cent on the bank notes.

AN AMERICAN BANKING SYSTEM

I assert that if it is lawful for the government to impose a tax of ten per cent upon bank notes issued by State banks, it would be lawful to impose a tax of ten per cent upon all deposits not covered by a specified reserve. I assert further that it is the duty of the National government to compel all banks to carry their proper part of that *commercial insurance* which is essential to sound banking, and that the National government is negligent in its duty to the American people as a whole to permit knowingly one-half of the bankers to prey upon the other half, to the great injury of the common good,—to the peril of all business prosperity,—by carrying only one-half of the necessary reserves.

If the government could fix the conditions upon which State banks could issue bank notes, it can fix and should fix conditions upon which State banks could take deposits, and those conditions should be identical with the conditions upon which National banks take deposits.

Furthermore, those conditions should be such as to both capital and reserves as will accomplish two specific results:

First. The financial and banking system of the United States should be made such as to be an absolute guarantee of the highest business efficiency and of our commercial soundness and our international supremacy, for these are essential to the general welfare of the whole country.

Second. Every bank in the United States should be compelled to furnish its due proportion of the bank capital and to carry such reserves as are essential to the guarantee of our business efficiency, commercial soundness and international supremacy. And every honest, fair-minded, square-dealing patriotic banker will admit this to be his duty and will acquiesce in his responsibility without a protest. Not only that, but he will join hands in compelling all other bankers to bear their proper

NATIONAL ISSUES OF 1916

burden for the common good and the promotion of the general welfare of the whole country.

THREE ADEQUATE POWERS

First. I assert that banking is interstate commerce and therefore the National government has the power to impose such conditions as will produce these all-important results.

Second. I assert that the National government has the power under the "General Welfare Clause," and therefore that it is its duty to impose such conditions as will produce these all-important results.

Third. I assert that the National government can, through its taxing power, and therefore should, impose such conditions as will produce these all-important results.

THE CREATION OF A UNITED RESERVE BANK

If, as I have just pointed out, our unbroken prosperity, our commercial soundness and our international supremacy all depend upon a *United Reserve Bank*, it is the duty of the National government to find some way of establishing it. And if the National government has the power to require the banks to create such a *United Reserve Bank*, through cooperation, it remains to suggest how it should be created and managed to conserve and promote best the general welfare of the whole country.

Our forefathers, Washington, Hamilton, Franklin, Jefferson, Adams, Madison, Monroe and all that great coterie of men found after we had secured our political independence in 1783 that the government was so weak that it was necessary to form a more perfect Union,—the United States government under the Constitution

AN AMERICAN BANKING SYSTEM

of 1789. In the banking world we are today in precisely the same position that they found themselves in politically, and we are now called upon to form a *more perfect Union* in a *United Reserve Bank* in which all the "*Commercial Zones*" will be bound together for the common economic cause,—for the protection of all, precisely as the States were bound together for a common *political* cause,—for the protection of all.

THE COMMERCIAL ZONE

It will be remembered that a "*Commercial Zone*" consists of the natural credit center of a section of the country at which all the banks prefer to transact their daily business,—that is clear their checks, drafts and credit currency there. But all such banks should be at liberty to send checks and drafts wherever their business interests require they should go.

If, as has been suggested, the "Clearing House" organization of these credit centers should now be extended to all the banks in the territory that is economically or commercially tributary to these centers, then every individual bank would have all the advantages and protection of a branch of a great central bank as strong as all the banks of the whole "*Commercial Zone*" combined; yet in the conduct of its business, within the rules to which it voluntarily subscribes, it would be as free and independent as though the organization had never been affected,—just as free and independent as the members of a Clearing House are today.

THE RESULTS OF THE ORGANIZATION OF THE COMMERCIAL ZONE

It must now have become perfectly obvious that not a single bank could afford to remain outside of the

membership of its "*Commercial Zone.*" For it will be recalled:—

First. That all National Banks will be empowered to perform the four functions of Modern Banking, Commercial Banking, Savings Banking, Trust Banking and "*Bank Credit Currency*" Banking.

Second. That every bank, National or State, will be compelled to work within the same capital insurance limit and to carry its proper share of the National Reserve which is essential to guarantee commercial soundness and international supremacy.

Third. All bank examinations, State, National, Clearing House and Federal Reserve, will be superseded by the "*Commercial Zone.*" examination, which will be uniform throughout the United States, thereby saving at least fifty per cent of our present expense and securing a supervision that will be tenfold more efficient than our present hodge-podge method. It will be as efficient and as just as human ingenuity can possibly make it,—bank examinations of banks by the banks themselves under government supervision.

Fourth. Our Clearing House system will be uniform, harmonious and universal throughout the United States, thereby eliminating all our State and sectional controversies, as well as those organizations that have come into existence as a protest against the intrusion and encroachments of that organization which is wholly foreign and inimical to our institutions,—the Federal Reserve Bank scheme.

Fifth. The bureaus of information with regard to all commercial credits in the respective zones will be so complete as a result of the zone examinations as to make it possible to learn within twenty-four hours what accommodation the banks of the whole United States have extended to any business house or corporation. A repetition of the Booth Fish Collapse, the Washburn Mills episode and the Claffin experience could and would be

AN AMERICAN BANKING SYSTEM

made a thing of the past,—an end all bankers will say is very much to be desired.

Such information as would always be available through these bureaus is absolutely essential in a country so extensive as this if we would successfully protect ourselves against the abuse of acceptances and demonstrate that they are in the long run more of a blessing than a curse,—because an acceptance should always be confined to some actual transaction connected with commercial commodities and be performed within a limited and reasonable time.

Sixth. Precisely as they have developed a free credit zone covering sixty thousand square miles around London, and as they developed throughout New England before the War, a free credit zone covering sixty-six thousand square miles and have within the last fifteen years reestablished a like free credit zone covering the same territory, so we should have forty-five or fifty free credit zones throughout the United States, all working in such harmony and unison as to bring about a daily settlement of balances between all these credit centers every afternoon by telegraph, telephone or wireless until the whole United States became approximately a free credit zone.

Seventh. *One of the most salutary influences and expediting forces to achieve rapid clearances would be the "Bank Credit Currency," as every bank credit note would bear in bold figures two numbers, one indicating the zone to which it belonged, the other the bank that issued it; so that whenever it came into the possession of a bank it would go home with the directness and celerity of a check, because every bank would want to keep its own notes out, and to do this must send all others home for redemption in gold, which it could use as a reserve or the basis of additional credit.*

But however complete and perfect in all its purposes and parts the individual "Commercial Zone" might be,

NATIONAL ISSUES OF 1916

standing alone, it would be in identically the same position that the original thirteen States found themselves prior to the adoption of our present Constitution. Their obvious weakness led to the formation of a more perfect union in which each State became as strong as all combined.

COORDINATION AND UNIFICATION OF ALL COMMERCIAL ZONES INTO THE UNITED RESERVE BANK

The combination or union of all the reserves of all the *Commercial Zones* would create at Washington a central reserve of gold aggregating approximately \$1,250,000,000.

While this great Central Reserve would theoretically be located at Washington, it would be carried, to the extent of business requirements, at the Credit or Zone Centers for the purpose of facilitating the business exchanges of the whole country.

COURT OF FINANCE OF THE UNITED STATES

This great central gold fund should be under the control and direction of a thoroughly representative body of men as far removed from the influence of political strife as any human device could possibly place it. It should be equally representative of business men and bankers. It should be under no obligation to any political, special or local interest, if this end could possibly be attained.

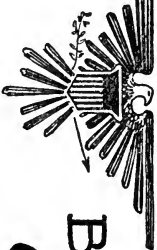
To meet all these high demands in the largest possible degree I believe that the members of the Court of Finance should be appointed for life by the President, subject to the approval and confirmation of the United States Senate precisely as the judges of the United States Supreme Court are.

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NATIONAL ISSUES OF 1916

The Court of Finance should consist of twenty members and the Secretary of the Treasury.

Eight members, four business men and four bankers, should be appointed from the Atlantic Coast Region, the western boundary being the cities of Buffalo, Pittsburg, Atlanta and Jacksonville.

Eight members, four business men and four bankers, should be appointed from the Mississippi Valley Region, the western boundary being the western boundary-line of the States of the Dakotas, Nebraska, Kansas, Oklahoma and Texas.

Four members, two business men and two bankers, should be appointed from the remaining portion of the United States or the Pacific Coast Region.

They should be retired at the age of seventy unless requested to remain by a vote of at least two-thirds of the board of trustees.

They should elect their own officers.

They should appoint a representative of the government upon each Clearing House Committee whose duty it should be to protect the interests of the public and keep the Court of Finance of the United Reserve Bank fully informed from day to day upon all local questions and conditions affecting the financial situation and general welfare.

All authority that the Secretary of the Treasury now has over the banks of the country should be abolished.

The office of the Comptroller of the Currency should be abolished.

Such an organization would give us forty-five or fifty absolutely independent republics of absolutely independent banks with the opportunity always open for natural development, growth and adjustment to the varied conditions of the different sections of the country and the new situations as they arise from time to time in the evolution of trade and commerce, and yet, while as far removed and as free from all political influence as it could possibly be made, they would always be under

AN AMERICAN BANKING SYSTEM

the ever-watchful eye and supervising control of the people through their government representatives.

INCOME OF THE UNITED RESERVE BANK

In the course of a very short time the amount of "*Bank Credit Currency*" in circulation in the United States would be \$1,500,000,000, upon which the annual tax of two per cent would return to the United States Treasury \$30,000,000.

USE MADE OF THE INCOME OF THE UNITED RESERVE BANK

The Board of Trustees should receive salaries in keeping with the importance of the position and commensurate with the class of men who ought to be appointed. Certainly no one would think that \$10,000 a year was a large salary considering all the circumstances. Such a salary would require an outlay of \$200,000 per annum.

The representatives of the government sitting on the Clearing House Committee would probably receive salaries ranging from \$3,000 to \$9,000 per annum, according to the location of the credit center, or an average of \$6,000 per year, or a total of..... \$300,000

The government outgo then would be as follows:

Salaries of Trustees.....	200,000
Salaries of Clearing House representatives	300,000
One per cent per annum upon the \$730,- 000,000 of United States two-per-cent bonds	7,300,000
One per cent per annum for five years upon the total amount of " <i>Bank Credit Cur- rency</i> " of \$1,500,000,000 for a Guarantee Fund.....	15,000,000

Making a total of..... \$22,800,000

NATIONAL ISSUES OF 1916

The balance remaining of \$7,200,000 should be paid into the Gold Reserve now behind the United States notes or greenbacks until the amount so paid in shall, with the \$150,000,000 now there, be equal to the United States notes or greenbacks now outstanding, or \$346,681,000.

When this is accomplished all the United States notes or greenbacks will be converted into *gold certificates* and the government relieved from the burden of all demand obligations, and our bank reserves from the stigma and danger growing out of this economic false pretense.

This all-important end in our national affairs would be accomplished in fifteen years, or by 1930, the year our two-per-cent bonds mature. Thereafter the United States Treasury would annually derive a net revenue from the tax on our "*Bank Credit Currency*" of approximately thirty cents per capita for our entire population of more than one hundred million people or upward of thirty million dollars.

A PERFECT MONETARY SYSTEM

The result of this achievement would be to give us a perfect monetary system composed of the following elements:

- (a) Gold or gold certificates for all bank reserves.
- (b) "*Bank Credit Currency*" for all currency purposes, in five-dollar denominations and upward.
- (c) Silver and silver certificates for all our subsidiary currency under five-dollar denominations.

WHAT OUR MONETARY SYSTEM CONSISTS OF TODAY

Gold or gold certificates	\$1,993,549,015
Silver or silver certificates	568,272,478
Subsidiary silver	185,331,865
United States notes	346,681,016
Federal Reserve notes	84,260,500
National bank notes	819,273,591
Total	<hr/> \$3,997,368,465

AN AMERICAN BANKING SYSTEM

OF WHAT OUR MONETARY SYSTEM SHOULD CONSIST TODAY APPROXIMATELY

Gold and gold certificates	\$2,500,000,000
Bank credit currency	1,500,000,000
All forms of silver	753,604,293
	<hr/>
Total	\$4,753,604,293

Gold should take the place of \$200,000,000 of United States notes or greenbacks not now covered by gold.

The total amount of our bank reserves, including the reserves for \$1,500,000,000 of "*Bank Credit Currency*," should be increased by at least \$500,000,000.

OUR OPPORTUNITY

We should not fail to take advantage of the opportunity that has come to us through the European War to put our financial house in perfect order, for it can now be done without a struggle and without a disturbance of foreign business conditions. To throw away this opportunity is to commit National Economic Suicide.

DISPOSITION OF GOVERNMENT REVENUES

All government revenues should be deposited currently as received with the *United Reserve Bank*, and the accounts of the government paid by voucher precisely as they are paid by all other Governments, States, Cities and Municipalities.

These vast accumulations should no longer be left in the hands of the Secretary of the Treasury, who may be the efficient tool of the party in power to reward henchmen, buy new friends, blackmail the timid and

NATIONAL ISSUES OF 1916

shut the mouths of the whole banking fraternity, preventing them from frankly expressing their honest opinions, through fear lest they fail to get any government deposits or lose those they already have. The present practise is intolerable and unspeakable and the fit instrument of a government founded upon favoritism and tyranny.

PROFITS OF THE UNITED RESERVE BANK

All profits made through loans or investments by the "*United Reserve Bank*," after allowing for such accumulations as the Court of Finance deem advisable, should be distributed among the depositors precisely as though they were stockholders,—that is the United States government and all the banks which are members of the respective "*Commercial Zones*."

REVIEW OF THE PRINCIPLES FOLLOWED, METHODS USED AND ENDS ATTAINED IN THE ORGANIZATION OF THE UNITED RESERVE BANK

Throughout there has been a steadfast recognition of, and the strictest obedience to, the principles of banking economics.

The lessons taught by the experience of the world have been the unvarying guide in every step taken, and only when banking practices have been proved over and over again and verified under every conceivable condition have they been approved, adopted and incorporated.

The following are the inferences to be drawn and inevitable conclusions to be reached from the experience of the banking world and the approved and established practices of banking during the last two hundred years wherever either obvious error or necessitous conditions

AN AMERICAN BANKING SYSTEM

have not interfered through legislative enactments with the progress, development and perfect evolution of bank practices in accordance with the universally acknowledged principles of banking economics.

First. Nothing is recognized as money, except what is coined out of our standard of value,—gold.

Second. That form of currency which is the most natural, the most economical, the most efficient, the most advantageous to the producers of wealth, the most convenient to the bankers and that which experience has demonstrated to be the most nearly ideal of all forms of currency for all denominations from five dollars up is adopted,—“*Bank Credit Currency.*”

Third. The field of our subsidiary coin from two dollars down is covered by the same metal as is now used for that purpose by all civilized nations,—our accumulated silver.

Fourth. Our monetary system, which would consist of gold for all reserves, “*Bank Credit Currency*” for our cash medium of exchange, and silver for all subsidiary purposes, could not be subject to any possible criticism whatever,—it would be a perfect monetary system.

Fifth. Every individual bank would become essentially an economic unit in the organic life of our commerce with opportunities and responsibilities coordinated, for the advantages of cooperation would be so great that no bank could possibly afford to remain outside of a zone organization.

Sixth. Every individual bank would be protected. (a) By the most intelligent, practical and efficient supervision that can be humanly devised,—bank examinations by the banks. (b) The power to create cash, if necessary to double the amount of its capital by issuing “*Bank Credit Currency.*” (c) The association of all the banks in the “*Commercial Zone*” where it is located for mutual convenience and protection. (d) A guarantee fund of \$75,000,000 to insure its “*Bank Credit Currency.*”

NATIONAL ISSUES OF 1916

(e) The resort of its "*Commercial Zone*" to the *United Reserve Bank*,—the greatest central reserve of gold in the world.

Seventh. Every "*Commercial Zone*," while protected by the strength of all the "*Commercial Zones*" combined, in the *United Reserve Bank*, would remain an absolutely independent republic of absolutely independent banks,—a complete local self-government subject only to the supervision of the Court of Finance of the *United Reserve Bank*.

Eighth. Every "*Commercial Zone*" would furnish to the people a free check system within its own boundaries, while the credit centers of the *Commercial Zones* would gradually adjust their balances every afternoon by telegraph, telephone or wireless communication. To a large extent, if not entirely, checks and drafts would be par everywhere throughout the United States.

Ninth. The possible increase of the deposits of the producers of wealth, the deposits of the people by exchanging their credit for the credit of the banks, would be \$1,500,000,000. This would be the natural result of the adoption of the "*Bank Credit Currency*" principle.

Tenth. The saving to the people, for whatever it costs to carry on the banking business of the country in the last analysis is paid by the people, would be not less than \$111,375,000,—a net gain over present conditions of more than one dollar for every man, woman and child in the United States.

Eleventh. To organize and establish the *United Reserve Bank* is the perfectly natural and evolutionary thing to do. It is the easiest thing to do. It is the most practical thing to do. It is the most scientific thing to do. And, if we would escape the overwhelming disaster that was fast overtaking Germany, it is the only thing to do. It will give us the most efficient and incomparably the most powerful banking system in the world; and, with our natural advantages, easily make us the financial monitor of the whole civilized world.

AN AMERICAN BANKING SYSTEM

Twelfth. By converting the United States notes or greenbacks into gold certificates and preventing the issuance of any more demand obligations of the government the credit of the government would be greatly strengthened and the gold reserves of the country would be protected against the operation of Gresham's Law, a most subtle, dangerous, destructive and irresistible force.

Thirteenth. By compelling the current deposit of all government revenues in the *United Reserve Bank*, the United States Treasury would cease to be a disturbing factor in the commercial operations of the country, and the Secretary of the Treasury would no longer be a potent political factor by using the government funds for partizan and personal purposes.

Fourteenth. If approximately fifty per cent of all the required reserves are combined and united in one common Central Reserve the protection of the weakest and the most remote bank will be guaranteed by more than \$1,250,000,000 gold, while the position of all the banks of the country would become absolutely impregnable and the commerce of the country would be protected and steadied by the consciousness of the presence of so vast a centralized gold reserve which would always automatically keep increasing *pari passu* with the bank liabilities of the country.

Fifteenth. The control and direction of the general movements of credit, so far as they could be affected by this great central gold reserve and its use in the interest of sound and permanent business conditions, should be and would be completely and absolutely removed from all political influences by the appointment of the Court of Finance for life.

FEDERAL RESERVE BANK ACT

If the Federal Reserve Bank Act is to be judged by the principles of banking economics and by those ap-

proved bank practices which have been wrought out by experience and also in the light of those demonstrated perils to both government and commercial credit wherever they have been bound up together, it is fundamentally and structurally unsound and wrong.

First. It is the most gigantic, complete and potential political machine ever constructed. A legislative enactment that makes it possible for the President to subject, dominate or even influence the commercial interests of the country by removing every member of the Federal Reserve Board, at any time, without cause and by empowering the Federal Reserve Board, in turn, to remove at any time without cause all the directors of the twelve Federal Reserve Banks, should not be tolerated.

Second. When we recall the pernicious activity, mad malevolence, vindictive persecutions and violent diatribes against the bankers of the country on the part of the Comptroller of the Currency, and the questionable practices of the Secretary of the Treasury, and that both of these officials are ex-officio members of the Federal Reserve Board, and when we remember that the President has just taken a hand in directing the action of the Federal Reserve Board by requesting, by letter addressed to one of them, that they start branches in South America to compete with the very banks whose capital and reserves they had filched through the forms of law, it seems about time to call a halt and pitch the whole Act and its sponsors overboard without delay and without ceremony.

Third. The creation of twelve separate, distinct reserve institutions is in utter defiance of all experience and is at variance with sound principles; and this anomalous structure is sure to break down just at the critical time whenever it may come.

Fourth. It cannot be said that the Federal Reserve Act bears any natural relation whatever to our experience or conditions, but was purely a foreign device,

AN AMERICAN BANKING SYSTEM

which was already at the very point of collapse in Germany when transferred here and superimposed upon our conglomerate situation, making our problem more complex, difficult and ultimately far more dangerous than before.

Fifth. The Federal Reserve Act is the most stupendous economic blunder ever committed in the life of this nation because, while it lays the groundwork for practically unlimited expansion of credit, it also sets in motion those forces which will ultimately drive gold out of the country by the gradual substitution of paper credit, in the form of the United States Federal Reserve note, for gold coin. No better device could possibly have been contrived and constructed to put Gresham's Law into operation.

Sixth. Not content with the ultimate and unerring effect of the law in gradually displacing gold coin with government bank debts, the authors of the act to pacify the bitter opponents of the measure, in their ignorance and desperation, greatly reduced the required reserves, although the total cash bank reserves of the country were, at that time, approximately five per cent below the average required by the law of safety long established by experience.

Seventh. Though all experience demanded the complete separation of the functions of the United States Treasury from the banking business of the country, after cutting away the foundations of credit and imperiling the whole superstructure of our commerce and after devising a method for still further weakening the all too slender support of our vast business interests, they tied the government around the neck of the banks and the banks around the neck of the government, with the necessary result that both must be made to suffer the consequence of an alliance that all history has shown to be disastrous.

Eighth. The entire support of the act is involuntary;

NATIONAL ISSUES OF 1916

for it has been forced by the bludgeon of the law, since only those who came within the blackmailing limit are to be found within the accursed thralldom of the Act. Of the 20,000 banks outside of the National system only 29 have found any reason or advantage for submitting to the terms imposed,—while in New York, Georgia, St. Louis and possibly many other sections, rival organizations have been created to fight its irksome regulations, proving conclusively its utter lack of adaptation to our peculiar needs and conditions. Under such circumstances it cannot be said that it is any more than another patch on our financial Joseph's coat of many colors, itself being positively the worst and rottenest patch of all our egregious blunders.

Ninth. However unfortunate the country may be in having its banking system dominated and terrorized by the party in power; however great the losses that may be suffered by the agricultural and producing classes by depriving them of those forms of credit to which they are entitled, exceeding today \$1,500,000,000, and resulting in a loss of more than \$110,000,000 annually, both these matters are of small importance compared with the overwhelming commercial disaster that is sure to follow if the Federal Reserve Act should remain upon the statute books.

Shall it be written in the disgraceful and distressful history of our country that the Republican Party, that the American people, had neither the intelligence nor the courage to protest and protect themselves from the obvious consequences of this ill-begotten, ignorantly devised and corruptly purchased piece of legislation? That is the question.

V

AN AMERICAN MERCHANT MARINE

ON April 2nd, in 1909, when speaking in the House of Representatives in favor of a bill which I had introduced for the establishment of a broad Tariff Commission and urging that our tariff changes should be by evolution and not by revolution, I used this language:

“It should be remembered in this connection that our home market, which lies within our own doors and is therefore exclusively our own, to be held without competition, to be given away for nothing, or to be traded off or exchanged to the advantage and profit of the American people, is just twice the amount of all the markets of the rest of the world for which every nation is a natural and legitimate competitor.

“We shall succeed in our struggle for this foreign trade directly in proportion to the intelligence and enterprise we show.

“First. In connection with the production, cost and market conditions of other countries as well as our own.

“Second. In establishing a Merchant Marine to give us direct mail and transportation facilities with our natural customers.

“Third. In developing American Banking connections throughout the world, by which we shall get control of the goods and route them over direct American shipping lines.

“Today, however, we are to confine ourselves to the first of these propositions: The intelligence and enterprise we show in connection with the productions, cost and market conditions of the rest of the world as well as our own.

“From the passage of the first act of the American Congress, drawn by Alexander Hamilton and signed by George Wash-

NATIONAL ISSUES OF 1916

ington, which was a Protective Tariff measure, for nearly a century and a quarter we have had what Henry Clay was pleased to call 'the American system,' sometimes more pronounced, sometimes less, but always protective.

"With the opening of the Suez Canal, steam navigation, the building of great railway systems, and as the result of many potential and far-reaching inventions and discoveries during the last fifty years, international commerce has grown to an extent and intimacy that makes it one of the most gigantic, intricate and important problems of the day.

"Within the last fifty years all the countries of the world have adopted the protective policy, except free-trade England and such commercially backward countries as Turkey, Persia and China."

CONTROL OF OUR OWN MARKETS NECESSARY TO OUR NATIONAL PROSPERITY

I now reassert that we must control our own markets in the interest of our own people, utilizing the privilege of doing business in the United States, which is incomparably the best market in the world, to promote our foreign trade.

FOREIGN BANKING RELATIONS THROUGH AMERICAN CONNECTIONS ESSENTIAL

In 1898, just eighteen years ago, I did my utmost to secure an amendment to the National Bank Act by which National Banks were authorized to establish branches in foreign countries; for, the very first essential to the establishment of a foreign trade that can be relied upon and that is permanent and profitable is foreign banking relations working in the interest of the American farmer, merchant and manufacturer. However, the prevalent prejudice against banks generally was so great that any effort to amend the law even

AN AMERICAN MERCHANT MARINE

though in the interest of the American farmer, merchant and manufacturer was impossible, lest by chance it might extend some advantage or favor to the banks. Fortunately we have now passed that phase of political thought.

But the efforts of American banks with branches in foreign countries will be of comparatively little advantage or use in developing foreign trade in the interest of the American farmer, merchant and manufacturer unless we have an American Merchant Marine to cooperate with the bank branches giving us a direct and interested line of communication from the American producer to the foreign consumer.

A careful survey of the question of an American Merchant Marine will disclose to any candid mind the fact that the indirect or incidental advantages are vastly greater than those that are usually recognized and regarded as direct; but taken together they present a subject of no secondary importance, commercially, to our country's welfare, and one of primary and the very highest importance to our country's safety and political independence.

THE BUILDING OF A SHIP AND ITS PART IN OUR NATIONAL LIFE

First. The coal and iron ore must be mined and the timber must be cut by men who with their families must be fed and clothed by the farmers of the country.

Second. The coal and iron must be converted into steel and the timber into lumber by men who with their families must be fed and clothed by the farmers of the country.

Third. The steel must be converted either into structural material for use in the ship frame or manufactured into machine tools which in turn will be employed to

NATIONAL ISSUES OF 1916

construct the steel and wood into ships by men who with their families must be fed and clothed by the farmers of the country.

Fourth. The ship-building company when organized must hire men to excavate for its buildings, purchase brick or stone for the foundations, the steel for the structure, all the machinery for equipment, and then hire steel-workers, carpenters and mechanics who with their families must be fed and clothed by the farmers of the country.

Fifth. To build the ship, then, all the material from the keel, from the great engines to the wireless equipment, must be assembled and the ship-building artisans, one thousand, two thousand, three thousand of them possibly, must be employed, who with their families must be fed and clothed by the farmers of the country.

Sixth. The completed ship of today represents a greater variety of employment than any other single commercial commodity, and nine-tenths of it represents the labor of men who have been fed and clothed by the farmers of the country. Therefore no part of our population is so much interested in the upbuilding of an American Merchant Marine as the American farmer, for his contribution is nine-tenths of the cost.

Seventh. If the United States was constructing annually in its own shipyards a sufficient number of ships to carry its proper share of the oversea trade it would mean the expenditure of approximately \$100,000,000, nine-tenths of which would be consumed in food and clothing furnished primarily by the farmers of the country.

Eighth. But the advantages to the American farmer and to all the American people do not stop with the completion of our ships; for the greatest profit and gain to the country will come through the use of the ships

AN AMERICAN MERCHANT MARINE

in the interest of our producers and consumers and in protecting the United States as a nation.

Ninth. We shall have a greatly increased market for the goods now sold abroad. We shall have a larger field of distribution, and therefore a still greater variety of commodities will be demanded. We shall have ocean carriers which are interested in the work of transporting and delivering our commodities promptly and in good condition; therefore our trade relations will become more permanent. We shall conduct our foreign trade through friendly instead of jealous and inimical parties, therefore our markets will not only be more steady, but we shall get better prices because the supply of goods will be more dependable.

Tenth. The shipping interests of any country ought to and will invariably favor the merchants of their own country and through persistent discrimination destroy their competitors, therefore the profits on foreign trade will go to foreigners, thereby reducing our national wealth to just that extent. With foreign shipping interests and foreign merchants doing our overseas trade, practically all underwriting will go to foreigners, to the great detriment of our own countrymen and a corresponding loss to the nation.

Eleventh. The transportation charges paid to the foreign ships for bringing in goods and for taking away what we want to sell are a total loss to our national wealth, because transportation paid to our own vessels for bringing in goods will save just that much debt, and transportation charges paid to our own vessels for carrying away the goods we sell abroad will be added to the amount of our exports. If we had done our proper share of our ocean-carrying trade since 1860 we would have saved to the nation at least \$5,000,000,000, or an amount equal to one-half the balance of trade in our favor during the same period.

Twelfth. A nation that controls shipping makes

itself invariably, if it can, the depot of distribution of the goods handled by its ships and therefore compels the world, to that extent, to pay it tribute.

Thirteenth. The bankers of the nation controlling the shipping interests will get the lion's share, if indeed not quite all, of the business growing out of foreign trade, because the banking and shipping interests are generally closely identified and therefore throw to each other, as they should, all the business they control. Whatever profits are made by foreign bankers out of our ocean trade, imports or exports, are a direct loss to our national wealth. It is estimated that this amount cannot be less than several millions annually.

Fourteenth. With a stake in transportation, merchandising, insurance and banking of \$3,500,000,000, or \$4,500,000,000, growing out of American business annually, is it at all strange that foreigners represented by their ship-builders, their shipping interests, their merchants, their underwriters, their bankers, after an established usage of many years, should now regard it as theirs as a matter of right and fortify themselves to fight for it? As the law stands today, our eager rivals and possible enemies command ninety-five per cent of our commerce with the outside world. These interests "have joined and control some of our Exchanges, Boards of Trade, Chambers of Commerce and even some of our political associations, while remaining subjects of foreign powers. They take sides in our political questions, contribute to the cost of campaigns, petition the government as supporters of applicants for positions, and influence conclusions on public matters, yet they have never sworn fealty to our Constitution nor our laws. There are members of our commercial bodies who have never seen America." Is it strange that these interests ever stand ready to spend millions to influence, yes, control, public opinion in this country by subsidizing the press, or in any other way that will enable them to retain

AN AMERICAN MERCHANT MARINE

their present power over American business and possibly enable them to determine our destiny?

Jefferson cautioned us in 1791 that "the marketing of our productions will be at the mercy of any nation which has possessed itself exclusively of the means of carrying them and our politics may be influenced by those who command our commerce."

This caution has materialized into a tragic fact of portentous proportions which no man can fathom.

Fifteenth. The same interests and influences that would plot, conspire and spend millions to prevent us from building a Merchant Marine adequate to the commercial needs of our farmers, merchants and manufacturers would have the added purpose of preventing the development, the creation of a navy that could, if need be, not only protect our ocean commerce, but the rights and liberties of the American people as well, whenever greed and ambition, concealed under some pretended, some feigned invasion of national right or national insult, impelled the foreign nations which these spies represent, to attack American interests or even invade our territory, for the purpose of levying a tribute a thousand times greater than the insurance of an adequate naval defense would cost; to say nothing of the disgrace, the humiliation, the complete destruction of our possible and proper place among the potential and world-history-making forces of the future.

Let us remember that, great, powerful and numerous as our dreadnoughts may be, they will prove utterly useless without those essential auxiliaries and necessary attendants which alone can make them efficient, and that only in the regular and orderly development of an adequate Merchant Marine can we hope to anticipate the exacting needs of the navy as they arise from time to time in the succeeding years.

Let us also remember that commercial independence, financial freedom, liberty of vocation and true national

NATIONAL ISSUES OF 1916

greatness have always and ever will take their deeper roots in the naval arts. Let us therefore return to the policy of the Fathers—Washington, Hamilton, Jefferson and Madison, and again make the United States what it became under their guidance and continued to remain for forty years the equal, on the sea, of any nation on the earth.

IMPORTANCE OF NAVIGATION

In 1600 Sir Walter Raleigh uttered this great fundamental and all-comprehending truth:

“Whosoever commands the sea commands the trade, whosoever commands the trade of the world commands the riches of the world and consequently the world itself.”

One of the greatest constructive statesmen of all time, Prince Bismarck, used this language:

“The merchant service is the handmaid of all other industries, and of agriculture, manufactures and commerce. On the day when the freight trade is given over to foreigners a mortal blow will be dealt to all the industries of the country.”

AMBITIONS AND METHODS OF GREAT BRITAIN

The commercial instinct and exclusive selfishness of Great Britain found expression as early as 1381 in an act providing

“That for increasing the shipping of England, of late much diminished, none of the King’s subjects shall hereafter ship any kind of merchandise either outward or homeward, but only in the ships of the King’s subjects, on forfeiture of ships and merchandise, in which ships also the greater part of the crews shall be of the King’s subjects.”

Among the navigators and discoverers of the fifteenth and sixteenth centuries, the Dutch became prominent

AN AMERICAN MERCHANT MARINE

and by their daring, their enterprise, their commercial instinct, their strict economy and their dogged perseverance made themselves the chief carriers of other nations and their own country the great entrepôt of all Europe.

Events moved more slowly in those days than in ours, and it was not until about the middle of the seventeenth century that England waked up to the fact that if she wanted to control the seas she would have to fight for them. What then occurred has been graphically described by one of the closest students of this great question, Alexander R. Smith, now editor of the *Marine News*, in these words:

“When Oliver Cromwell, a trifle more than two and a half centuries ago, had composed the differences that had previously existed in England and had brought about an orderly condition in that turbulent country, he paused for a moment to gaze seaward, and instantly he realized that he had but half completed the work high destiny had imposed upon him. Passing down what were then called ‘The Narrow Seas,’ now commonly called the English Channel, were numerous Dutch ships that, too arrogantly for Cromwell’s gorge, flaunted at their mastheads a broom heralding to the world the fact that they ‘swept the seas,’ because at that time the maritime dominance of the Dutch was unquestioned.

“Cromwell, happily for England, was a man of action. He was also a man of indomitable determination. He set about the task of removing the brooms from the mastheads of Dutch ships. It was some task, but Cromwell accomplished it, and he did it so thoroughly that since that time Dutch participation in maritime affairs has been of a minor character.”

To accomplish his purpose England passed her navigation law which contained the following:

“Act 12, Charles II.; Chapter VIII, Section 3. And it is further enacted, etc., that no goods or commodities whatsoever of the growth, production, or manufacture of Africa,

NATIONAL ISSUES OF 1916

Asia, or America, or of any part thereof, which are described or laid down in the usual maps or charts of those places, be imported into England, Ireland, or Wales, Islands of Guernsey and Jersey, or town of Berwick-upon-Tweed, in any other ship or ships, vessel or vessels whatsoever, but in such as do truly and without fraud, belong only to the people of England or Ireland, dominion of Wales, or town of Berwick-upon-Tweed, or of the lands, islands, plantations, or territories in Asia, Africa, or America, to his Majesty belonging, as the proprietors and right owners thereof, and whereof the master and three-fourths at least of the mariners are English, under the penalty of the forfeiture of all such goods and commodities, and of the ship or vessel in which they were imported, with all her guns, tackle, furniture, and apparel—one moiety to his Majesty, his heirs and successors, and the other moiety to him or them who shall seize, inform, or sue for the same, in any court of record, by bill, information, plaint, or other action, wherein no essoine, protection, or wager of law shall be allowed.”

This act was aimed directly at the Dutch, and they resented it and went to war over it. England crushed Holland. The brooms disappeared from the Dutch mastheads, and England from that day until this has been “the mistress of the seas” because

“By this law, only the nations of Europe could carry their own products or manufactures into British ports in their own vessels. The rest of the nations and all other parts of the world were dependent on British shipping. So were all the Colonies of Great Britain, and the British Domestic trade. The monopoly set up by this law violated the right of every people excluded from the carriage of their own merchandise to market.”

ENGLAND'S ATTACK ON AMERICAN SHIPPING

The Navigation Act of Great Britain, 1771, contained these words:

AN AMERICAN MERCHANT MARINE

“No goods or commodities whatever of the growth, production or manufacture of Europe, Africa or America shall be imported into England or Ireland or into any of the plantations [American Colonies] except in ships belonging to English subjects of which the master and the greater number of the crew shall also be English.”

Lindsay in his history of the British Merchant Marine says frankly that the Act of 4 George III., Chapter XV,

“Combined with various conditions taken from the Navigation Laws requiring heavy duties on numerous articles imported into the Colonies from the countries that produced them or from anywhere else except Great Britain, and prohibiting the importation of sugar from the Colonies except in British bottoms, necessarily aroused the indignation of the American Colonists and sowed the seeds of future rebellion.”

To prove that the destruction of American shipping was one of the leading causes that led to the Revolution let us appeal to the Declaration of Independence:

“The history of the present King of Great Britain is a history of repeated injuries and usurpations, all having, in direct object, the establishment of an absolute tyranny over these States. To prove this let facts be submitted to a candid world. . . .

“For cutting off our trade with all parts of the world.”

This wrong complained of was not fancied, but tragically real to that sturdy, sterling band of yeomanry living all along the Atlantic coast from Maine to Georgia.

In 1769 they built 384 vessels aggregating 20,000 tonnage, in 1770 vessels aggregating 20,610 tonnage, in 1771 vessels aggregating 24,068 tonnage, in 1772 vessels aggregating 26,544 tonnage.

American ships were sailing to all parts of Europe, Spain, Portugal and the Mediterranean, and their ships as well as their cargoes were often sold in foreign ports, for they were then far-famed for their durability and cheapness,

NATIONAL ISSUES OF 1916

The greed and financial instinct of England did not stop with the prohibitive laws affecting our shipping, but showed themselves in many ways. In 1765 she prohibited the export of artisans; in 1781 of woolen machinery and artificers in woolens; in 1782 cotton machinery and artificers in cotton goods. In 1785 of iron and steel making machinery, and workmen in these departments of trade. Then, as if to finish her victim, she contrived to sell us far more of her manufactured goods than she would take pay for in the raw products we had to sell, the result being that between the years of 1784 and 1790 she robbed us by this method of \$11,000,000 of coin, literally stripping the country of all the real money we had.

England fully appreciated the power she had over the Colonies so long as she could manage to manœuvre them into the position of a debtor in trade and compel them to pay the balance in coin, of which they had but little.

Alexander Hamilton, one of the greatest constructive statesmen of all time, said that "to preserve the balance of trade in favor of a nation ought to be a leading aim of its policy."

Prince Bismarck, who ranks with Hamilton as a constructive statesman, commenting on the Ship Bounty Bill passed by France in 1881, said:

"There is a desire (among the French) to prevent any diminution of the 400 to 500 million francs profit on freights which the transport trade of the French merchant service annually yields, and Ministers point to the example of England, which, with a shipping of eight million tons and with a profit from freight of about two thousand millions (?) can look calmly at the deficits in the trade balance."

With commerce deprived of practically all of the metal medium of exchange, with our business prostrate in all lines, and the country reduced to a deplorable condition,

AN AMERICAN MERCHANT MARINE

the English king by his proclamation restricting the importation of American produce into the West Indies to British ships only, and the exports from the Islands to the States in like manner, laid on the last straw that broke the camel's back.

ORIGIN OF THE CONSTITUTION

A committee composed of Thomas Jefferson of Virginia, Elbridge Gerry of Massachusetts and three others was appointed to investigate the state of our commerce, and their report contained these words:

“The trust reposed in Congress renders it their duty to be attentive to the conduct of foreign nations, and to prevent or restrain as far as may be, all such proceedings as might prove injurious to the United States. The situation of commerce at this time claims the attention of several states and few objects of greater importance can present themselves to their notice. The fortune of every citizen is interested in the success thereof, for it is the constant source of wealth and incentive to industry; and the value of our produce and land must ever rise and fall in proportion to the prosperous or adverse state of our trade.

“Already has Great Britain adopted measures destructive of our commerce with her West India Islands. There was reason to suppose that measures so unequal and so little calculated to promote mercantile intercourse would not be persevered in by an enlightened nation. But these measures are growing into a system. . . .

“Unless the United States in Congress assembled shall be vested with power competent to the protection of commerce, they can never command reciprocal advantages in trade; and without these our foreign commerce must decline and eventually be annihilated.”

The failure to secure the united action of the thirteen States in the regulation of commerce, and the fact that

they had no revenue to discharge the obligations of the government, led to the adoption of the Federal Constitution in 1789.

In a speech in Congress, 1794, James Madison described the situation prior to 1789 and the result:

“To allow trade to regulate itself is not, therefore, to be admitted as a maxim universally sound. Our own experience has taught us that, in certain cases, it is the same thing with allowing one nation to regulate it for another. Were the United States, in fact, in commercial intercourse with one nation only, and to oppose no restrictions whatever to a system of foreign restriction, they would of necessity be deprived of all share in the carriage, although their vessels might be able to do it cheapest, as well as of the only resource for defense on that side where they must always be most exposed to attack. A small burden only in foreign ports on American vessels, and a perfect equality of foreign vessels with our own in our own ports, would gradually banish the latter altogether. . . .

“Out of this experience grew the measures which terminated in the establishment of a government competent to the regulation of our commercial interests and the vindication of our commercial rights.

“As these were the first objects of the people in the steps taken for the establishing of the present government, they were universally expected to be the first fruits of its operation.”

By 1789 our shipping had been reduced to the lowest possible ebb by England. There was nothing to which she could resort that she did not utilize to accomplish her predetermined purpose to prevent us from becoming her competitor in the overseas trade.

She had accomplished her purpose then by the use of statutory limitations, tariff discriminations and the manipulation of trade balances. But after we became a nation in truth and in fact and could enforce our will under the Constitution of 1789 England was compelled to resort to other means to first drive us and then keep

AN AMERICAN MERCHANT MARINE

us from taking any serious part in ocean commerce. Her method was by a course of action in which she has led the whole world—diplomacy.

Through the legerdemain of conventions, treaties and an utter disregard of them or a complete evasion of the spirit and intent of them and a criminal neglect of our own interest on our own part, she has succeeded in reducing us to the same state of impotency on the sea that we were in when we adopted the Constitution in 1789; therefore we have identically the same work to do today to regain our place on the sea that our forefathers then had, and we have identically the same means at hand to accomplish this all-important work. Shall we do it? That is the question. Then we built up our trade from practically nothing to ninety-three per cent of all our imports and exports. Today, if conditions were normal, we could be doing possibly six per cent, and next year it might be only five per cent if our present destructive legislation remains upon the statute books.

THE REASONS FOR AND METHODS OF ESTABLISHING A MERCHANT MARINE BY OUR FOREFATHERS

Since the immediate and moving cause for the adoption of the Constitution was to secure the power to regulate the commerce of the States with each other and with all the rest of the world, we should go to the Constitution to find the authority for action and then note what they did to achieve their object.

The first three powers of Congress defined by the Constitution were:

1. "To lay and collect taxes, duties, imports and excises, to pay the debts and provide for the common defense and general welfare of the United States; but all duties, imports and excises shall be uniform throughout the United States.

NATIONAL ISSUES OF 1916

2. "To borrow money on the credit of the United States.
3. "To regulate commerce with foreign nations and among the several States, and with the Indian Tribes."

Undoubtedly the particular subjects that were uppermost in their minds were first mentioned among the powers of Congress, a fact that was further distinctly accentuated by including in the first act passed by Congress under the Constitution both the protection of our industries and the regulation of our commerce.

REGULATION OF COMMERCE

It is now for us to inquire what Washington, Hamilton, Jefferson and Madison understood by the phrase, "To regulate commerce with foreign nations" by here recalling what they said and did in connection with the regulation "of commerce with foreign nations." The preamble of that first act read as follows:

"Whereas, it is necessary for the support of the government, the discharge of the debts of the United States and the encouragement and protection of manufactures, that duties be laid upon goods, wares and merchandise imported, now therefore be it enacted," etc.

In this Protective Tariff Bill was included the first law giving expression to the interpretation of the Constitution covering the regulation "of commerce with foreign nations." This act provided that

"a discount of ten per centum on all the duties imposed by this act shall be allowed on such goods, wares and merchandise as shall be imported in vessels built in the United States and which shall be wholly the property of a citizen or citizens thereof, or in vessels built in foreign countries and on the 16th day of May last wholly the property of a citizen or citizens of the United States and so continuing until the time of importation,"

AN AMERICAN MERCHANT MARINE

With a view of guaranteeing to American ships the Asiatic trade, the act also provided that

“On all the teas imported from China or India, the ships built in the United States, and belonging to a citizen or citizens thereof, or in ships or vessels built in foreign countries, and on the 16th day of May last wholly the property of the citizen or citizens of the United States, and so continuing until the time of importation, as follows: On Bohea tea per pound, 6 cents; on all Souchong or other black teas, per pound 10 cents; on all Hyson teas, per pound 20 cents; on all green teas, per pound 12 cents.

“On all teas imported from Europe in ships or vessels built in the United States, and belonging, etc., as follows: On Bohea tea 15 cents; Souchong and other black, 22 cents; on all Hyson, 45 cents; on all other green, 27 cents per pound.

“On all goods, wares and merchandise, other than teas, imported from China or India, in ships not built in the United States, and not wholly the property of a citizen or citizens thereof, nor in vessels built in foreign countries, and on the 16th day of May last wholly the property of a citizen or citizens of the United States, and so continuing until the time of importation, 12½ per centum ad valorem.” . . .

The act containing these provisions became a law July 4, 1789. Then immediately followed the passage of the Tonnage Duty Bill which provided as follows:

“On all ships or vessels built within the United States and belonging wholly to a citizen or citizens thereof; or not built within the said states, but on the 29th day of May, 1789, belonging, and during the time such ships or vessels shall continue to belong wholly to a citizen or citizens thereof, at the rate of six cents per ton. On all ships or vessels hereafter, built in the United States, belonging wholly, or in part, to subjects of foreign powers, at the rate of thirty cents per ton. On all other ships or vessels at the rate of fifty cents per ton.

“Sec. 2. Provided always, that no ship or vessel built within the aforesaid states, and belonging to a citizen or citizens thereof, shall, whilst employed in the coasting trade, or in the fisheries, pay tonnage more than once in any year.

NATIONAL ISSUES OF 1916

“Sec. 3. That every ship or vessel employed in the transportation of any of the produce or manufactures of the United States coastwise within the said states, except such ship or vessel be built within the said states, and belonging to a citizen or citizens thereof, shall, on each entry, pay fifty cents per ton.”

Nine of the twenty-two Senators who passed these acts had been members of the Constitutional Convention of which Washington was President.

After the passage of these acts George Washington, in his first annual message to Congress delivered January 8, 1790, used these words:

“The advancement of agriculture, commerce and manufactures by all proper means will not, I trust, need recommendation.”

In reply to Washington's message the House of Representatives in their address to him said, among other things:

“We concur with you in the sentiment that agriculture, commerce and manufactures are entitled to legislative protection.”

Washington in his message of December 8, 1790, said:

“We should not overlook the tendency of a war, and even of preparations for a war, among the nations most concerned in active commerce with this country, to abridge the means, and thereby at least to enhance the price of transporting its valuable productions to their proper markets. I recommend it to your serious reflection how far, and in what mode, it may be expedient to guard against embarrassments from these contingencies, by such encouragements to our own nation as will render our commerce and agriculture less dependent on foreign bottoms, which may fail us in the very moments most interesting to both of these great objects. Our fisheries, and the transportation of our own produce, offer us abundant means for guarding ourselves from this evil.”

AN AMERICAN MERCHANT MARINE

In the address of the Speaker of the House of Representatives were these words:

“The encouragement of our own navigation has at all times appeared to us highly important. The point of view under which you have recommended it to us is strongly enforced by the actual state of things in Europe. It will be incumbent on us to consider in what mode our commerce and agriculture can be best relieved of an injurious dependence on the navigation of other nations, which the frequency of their wars renders a too precarious resource for conveying the productions of our own country to market.”

Thomas Jefferson in his Report on Privileges and Restrictions of Foreign Countries:

“But should any nation, contrary to our wishes, suppose it may better find its advantage by continuing its system of prohibitions, duties, and regulations, it behooves us to protect our citizens, their commerce and navigation, by counter prohibitions, duties, and regulations also. Free commerce and navigation are not to be given in exchange for restrictions and vexations, nor are they likely to produce a relaxation of them.

“Our navigation involves still higher considerations. As a branch of industry, it is valuable, but as a resource of defense, essential.

“Its value as a branch of industry is enhanced by the dependence of so many other branches on it. In times of general peace, it multiplies competitors for employment in transportation, and so keeps that at its proper level; and in times of war, that is to say, when those nations who may be our principal carriers, shall be at war with each other, if we have not within ourselves the means of transportation, our produce must be exported in belligerent vessels, at the increased expense of war freight and insurance, and the articles which will not bear that must perish on our hands.

“But it is as a resource of defense, that our navigation will admit neither neglect nor forbearance. The position and circumstances of the United States leave them nothing to fear on their landboard, and nothing to desire beyond their pres-

NATIONAL ISSUES OF 1916

ent rights. But on their seaboard they are open to injury, and they have there, too, a commerce which must be protected. This can only be done by possessing a respectable body of citizen seamen, and of artists and establishments in readiness for ship-building. . . .

“But if particular nations grasp at undue shares, and more especially, if they seize on the means of the United States, to convert them into aliment for their own strength, and withdraw them entirely from the support of those to whom they belong, defensive and protecting measures become necessary on the part of the nation whose marine resources are thus invaded; or it will be disarmed of its defense; its productions will lie at the mercy of the nation which has possessed itself exclusively of the means of carrying them, and its politics may be influenced by those who command its commerce. The carriage of its own commodities, if once established in another channel, cannot be resumed in the moment we may desire. If we lose the seamen and artists whom it now occupies, we lose the present means of marine defense, and time will be requisite to raise up others, when disgrace or losses shall bring to our feelings the error of having abandoned them. The materials for maintaining our due share of navigation are ours in abundance. And, as to the mode of using them, we have only to adopt the principles of those who thus put us on the defensive, or others equivalent and better fitted to our circumstances.

“It is not to the moderation and justice of others we are to trust for fair and equal access to market with our productions, or for our due share in the transportation of them; but to our own means of independence and the firm will to use them. Nor do the inconveniences of discrimination merit consideration.”

As a result of Jefferson's report Madison introduced a set of resolutions at the next session of Congress in 1794, the first and last of them reading as follows:

“Resolved, as the opinion of this committee, that the interest of the United States would be promoted by further restrictions and higher duties, in certain cases, on the manu-

AN AMERICAN MERCHANT MARINE

factures and navigation of foreign nations employed in the commerce of the United States than those now imposed." . . .

"That provision ought to be made for liquidating and ascertaining the losses sustained by citizens of the United States from the operation of particular regulations of any country contravening the law of nations, and that such losses be reimbursed, in the first instance, out of the additional duties on the manufactures, productions and vessels, of the nation establishing such unlawful regulations."

He then proceeded:

"The last resolution is in a manner, distinct from the rest. The nation is bound by the most sacred obligation to protect the rights of its citizens against the violation of them from any quarter; or, if they cannot protect, they are bound to repay the damage."

To illustrate his position, he referred to the Navigation Act of Great Britain,

"which, not being counterbalanced by any similar acts on the part of rival nations, had secured to that power no less than eleven-twelfths of the shipping and seamen employed in her trade. It is stated that in 1660, when the act of 1651 had been amended, the foreign tonnage was to the British as one to four; in 1700, less than one to six; in 1725, as one to nineteen; in 1750, as one to twelve; in 1774, nearly the same. At the commencement of the period, the tonnage was but 95,266 tons; at the end of it, 1,136,162." . . .

He then concluded:

"To allow trade to regulate itself is not, therefore, to be admitted as a maxim universally sound. Our own experience has taught us that, in certain cases, it is the same thing with allowing one nation to regulate it for another. . . . A small burden only in foreign ports on American vessels, and a perfect equality of foreign vessels with our own in our own ports, would gradually vanish the latter altogether."

NATIONAL ISSUES OF 1916

Then he proved this from our own history.

The debate was protracted, and the result was the passage of a law providing that instead of a rebate of ten per cent on goods brought in by American vessels an extra duty of ten per cent on goods brought in by foreign vessels should be paid. The effect was to increase the discrimination against the latter.

Rufus King, one of the greatest men we have produced, a member of the Constitutional Convention, twice Minister to England, and for eighteen years a United States Senator from New York, in discussing this same question in 1818, said:

“Agriculture, manufactures and foreign commerce are the true sources of wealth and power of nations; agriculture is the chief and well-rewarded occupation of our people, and yields in addition to what we want for our use, a great surplus for exportation. Manufactures are making a sure and steady progress; and, with the abundance of food and of raw materials, which the country affords, will, at no distant day, be sufficient, in the principal branches, for our own consumption, and furnish a valuable addition to our exports.

“But without shipping and seamen, the surpluses of agriculture and of manufactures would depreciate on our hands; the cotton, tobacco, breadstuffs, provisions, and manufactures, would turn out to be of little worth, unless we have ships and mariners to carry them abroad, and to distribute them in the foreign markets. . . .

“A dependence upon foreign navigation subjects those who are so dependent to the known disadvantages arising from foreign wars, and to the expense and risk of the navigation of belligerent nations—the policy of employing a national shipping is, therefore, almost universally approved and adopted; it affords not only a more certain means of prosecuting foreign commerce, but the freight, as well as the profits of trade, are added to the stock of the nation.

“The value and importance of national shipping and national seamen have created among the great maritime Powers, and particularly in England, a strong desire to acquire, by

AN AMERICAN MERCHANT MARINE

restrictions and exclusions, a disproportionate share of the general commerce of the world.”

In 1804 the tonnage duty on foreign ships was doubled, being increased from fifty cents to one dollar while the tonnage tax on our own vessels remained at six cents.

These are the things that our forefathers said and did to secure their proper share of the ocean-carrying trade of the world. How well they succeeded, let us now make note.

In 1789, the year before the first law was passed, we had only twenty-three per cent of our own shipping. In 1790 we had forty per cent. In 1791 we had fifty-five per cent. In 1792 we had sixty-four per cent. In 1793 we had seventy-nine per cent. In 1794 we had eighty-eight per cent. In 1795 we had ninety per cent. In 1796 we had ninety-two per cent. In 1797 we had ninety per cent. In 1798 we had eighty-nine per cent. In 1799 we had eighty-eight per cent. In 1800 we had eighty-nine per cent. In 1801 we had eighty-nine per cent. In 1802 we had eighty-six per cent. In 1803 we had eighty-four per cent. In 1804 we had eighty-eight per cent. In 1805 we had ninety-one per cent. In 1806 we had ninety-one per cent. In 1807 we had ninety-two per cent. In 1808 we had ninety per cent. In 1809 we had eighty-six per cent. In 1810 we had ninety-one per cent. In 1811 we had eighty-eight per cent. In 1812 we had eighty-two per cent.

With this marvelous success of the laws passed in giving us our part of the shipping to do, England saw that we had beaten her at her own game, but in our own way. For while the laws of England were literally prohibitive our laws were distinctly and only regulative and sought justice for ourselves rather than injury to others.

CAUSES OF WAR OF 1812

From the day peace was declared and England acknowledged that we were a “free and independent”

nation, down to the first day of June, 1812, when war was again declared, the United States had sought some basis upon which the rights of the two nations could be maintained with justice and self-respect to both.

Immediately after peace had been declared, by orders in council, American vessels were entirely excluded from the British West Indies; and some of the staple productions of the United States, particularly fish, beef, pork, butter, lard and other like articles, were not permitted to be carried there even in British bottoms.

In 1785 John Adams, our United States Minister at the court of St. James's, proposed to place the navigation and trade between the two countries upon a basis of perfect and liberal reciprocity.

But this generous proposal was not only rejected, but he was told plainly that no other would be entertained.

Adams in his letter to John Jay, then Secretary of State, referring to this circumstance, said:

“This being the state of things, you may depend upon it, the commerce of America will have no relief at present, nor in my opinion ever until the United States shall have generally passed navigation acts. If this measure is not adopted we shall be derided; and the more we suffer the more will our calamities be laughed at.”

The impartial student of history will look in vain for a single act of oppression from the day of our independence down to the declaration of war in 1812 on the part of the English, and it was a third of a century of outrage and wrong committed by one nation upon another almost without a parallel in all history, that did not have as its ultimate purpose the complete destruction of our ocean commerce.

In his war message, delivered June 1, 1812, James Madison said:

“Without going back beyond the renewal in 1803 of the war in which Great Britain is engaged, and omitting unre-

AN AMERICAN MERCHANT MARINE

paired wrongs of inferior magnitude, the conduct of her government presents a series of acts hostile to the United States as an independent and neutral nation. . . .

“British cruisers have been in the continued practice of violating the rights and the peace of our coasts. They hover over and harass our entering and departing commerce. To the most insulting pretensions they have added the most lawless proceedings in our very harbors, and have wantonly spilt American blood within the sanctuary of our territorial jurisdiction. The principles and rules enforced by that nation, when a neutral nation, against armed vessels of belligerents hovering over her coasts and disturbing her commerce, are well known. When called on, nevertheless, by the United States to punish the greater offenses committed by her own vessels, her government has bestowed on their commanders additional marks of honor and confidence. . . .

“Not content with these occasional expedients for laying waste our neutral trade, the cabinet of Britain resorted at length to the sweeping system of blockades, under the name of orders in council, which has been moulded and managed as might best suit its political views, its commercial jealousies, or the avidity of British cruisers. . . .

“It has become sufficiently certain that the commerce of the United States is to be sacrificed, not as interfering with the belligerent rights of Great Britain, not as supplying the wants of her enemies, which she herself supplies, but as interfering with the monopoly which she covets for her own commerce and navigation. She carries on a war against the lawful commerce of a friend that she may the better carry on a commerce with an enemy—a commerce polluted by the forgeries and perjuries which are for the most part the only passports by which it can succeed. . . .

“A foundation appeared to be laid for a sincere and lasting reconciliation. The prospect, however, quickly vanished. The whole proceeding was disavowed by the British government without any explanations which could at that time repress the belief that the disavowal proceeded from a spirit of hostility to the commercial rights and prosperity of the United States, and it has since come into proof that at the very moment when the public minister was holding the lan-

guage of friendship and inspiring confidence in the sincerity of the negotiation with which he was charged, a secret agent of his government was employed in intrigues having for their object a subversion of our government and a dismemberment of our happy union. . . .

“Such is the spectacle of injuries and indignities which have been heaped on our country, and such the crisis which its unexampled forbearance and conciliatory efforts have not been able to avert. Our moderation and conciliation have had no other effect than to encourage perseverance and to enlarge pretensions. We behold our seafaring citizens still the daily victims of lawless violence, committed on the great common highway of nations, even within sight of the country which owes them protection. We behold our vessels freighted with the produce of our soil and industry, or returning with the honest proceeds of them, wrested from their lawful destinations, confiscated by foreign courts, no longer the organs of public law, but the instruments of arbitrary edicts, and their unfortunate crews dispersed and lost or forced or inveigled in British ports into British fleets, whilst arguments are employed in support of these aggressions which have no foundation but in a principle equally supporting a claim to regulate our external commerce in all cases whatever.

“We behold, in fine, on the side of Great Britain a state of war against the United States, and on the side of the United States, a state of peace toward Great Britain.”

Henry Clay, then Speaker of the House, in expressing his views said, “That the real cause of British aggression was not to distress an enemy, but to destroy a rival.”

Mr. Grundy of Tennessee epitomized the sentiment of the time when he said:

“It is not the carrying trade about which this nation and Great Britain are now contending. The true question is the right of exporting the products of our own soil and industry to foreign markets. Our vessels are captured when destined to ports of France. These depredations on our lawful commerce are not to be traced to any rules or maxims of public law, but to the maritime supremacy and pride of the British

AN AMERICAN MERCHANT MARINE

nation. . . . What, Mr. Speaker, are we called on to decide? It is, whether we will resist by force the attempt made by that government to subject our maritime rights to the arbitrary and capricious rule of her will; for my part, I am not prepared to say that this country shall submit to have her commerce interdicted or regulated by any foreign nation. Sir, I prefer war to submission."

NO WRONG COMPLAINED OF WAS COVERED BY THE TREATY

Not one of the questions that had been acute and burning during the preceding third of a century was settled or even referred to in the treaty of peace of February 18, 1815. "Right of Search," "Impressment," "The right of neutrals to trade," commerce and navigation,—all went by the board,—but Great Britain succeeded in preparing the way to accomplish through diplomacy what she had failed to achieve in more than thirty years through the most diabolical wrongs ever committed by one nation against another with which it was ostensibly at peace.

A high authority has said that the Reciprocity Act of 1815 should have been entitled "an act to initiate abandonment of ship protection and for the relinquishment of carriage in foreign trade."

That act read as follows:

"Be it enacted, etc.; that so much of the several acts imposing duties on the tonnage of ships and vessels, and on the goods, wares and merchandise imported into the United States, as imposes a discriminating duty of tonnage, between foreign vessels and vessels of the United States, and between goods imported into the United States into foreign vessels and vessels of the United States, be and the same are hereby repealed so far as the same respects the produce or manufacture of the nation TO WHICH SUCH FOREIGN SHIPS OR VESSELS MAY BELONG. Such repeal to take effect in favor of any foreign nation, whenever the President of the United States

NATIONAL ISSUES OF 1916

shall be satisfied that the discriminating or countervailing duties of such foreign nation, so far as they operate to the disadvantage of the United States, have been abolished."

ENGLAND'S BAD FAITH

In December following the convention was ratified, to continue four years.

In his eighth annual message, December 3, 1816, Madison said:

"It is to be regretted that a depression is experienced by particular branches of our manufactures and by a portion of our navigation. The depressed state of our navigation is to be ascribed in a material degree to its exclusion from the colonial ports of the nation most extensively connected with us in commerce, and from the indirect operation of that exclusion."

We had been shut out of the West Indies and failed to regain access to them, although we had thrown down the bars and permitted English ships to have free access to our ports. We had given her "commerce and navigation for restrictions and vexations." We had opened all of our ports to her and she had opened only one-third of her ports to us.

The camel had already then gotten his nose under the tent in which he has been resting in contentment, luxury, happiness and supreme command, lo, these many years,—just a century last July.

Our foreign trade shipping fell off from 800,760 tons in 1816, to 589,954 tons in 1818. Speaking on the "Non-Intercourse Bill" in the House of Representatives, January 30, 1817, Mr. King of Massachusetts describes the resultant conditions in the country due to the ruin of our shipping. He said:

"But what is the situation of our navigation and of our gallant seamen at this moment? [January, 1817.] Owing

AN AMERICAN MERCHANT MARINE

in part to the causes to which I have alluded, the restrictions imposed by one nation upon our mercantile enterprise, and the many privileges and advantages which the ships and seamen of that very nation enjoy in our ports, in reference to colonial trade, and even to the direct trade with Great Britain, and in some degree, no doubt, to the general peace throughout the world; more than one half of our tonnage is now useless, dismantled at the wharves, and literally rotting in the docks. Many of our seamen are reluctantly compelled to seek employ in foreign countries, and to sail under foreign flags. Our ship carpenters, too, destitute of employ, are obliged, for a living, to go into the British provinces of New Brunswick and Nova Scotia, there to cut timber, even for the Royal Navy of England, and to build vessels to carry it to Great Britain. Thus British merchants with British capital employ our carpenters to build many vessels which are not only employed to carry on the direct trade with Great Britain, but to carry our lumber, our live stock, and our provisions to their colony. Hundreds of our artisans and laborers, formerly employed in ship-building, are reduced to poverty, and the owners of our ships, there being neither sale nor employment for them, are many of them bankrupt, without even the consolation of unfortunate merchants, a bankrupt law to save them from prison; and many of our towns and villages, once flourishing by commerce and navigation, deprived of both, now rapidly decay. Will the bill on your table have the tendency to relieve some of these misfortunes? I think it will. If it should not open the British Islands to us, it will at least employ many of our ships and seamen to carry some of our productions necessary for the British Islands, to other Islands in West Indies, to be carried thence in British ships into their own ports; giving us the privilege, nearly to the port of consumption, for many of those articles which are only carried in British vessels. It will, too, prevent some of their merchants, and some portion of their navigation, from flourishing on the ruin of our own. The measure proposed, if it produces the desired effect, will be equally beneficial to the Islands and to this country."

Mr. Bradbury of Massachusetts, a member of the House of Representatives, referring to our navigation

NATIONAL ISSUES OF 1916

under the new relations established by the "London Convention," and calling attention to petitions on the subject, said:

"It is represented in some of those petitions that foreigners are now our exporters and importers; that instead of being the carriers, as heretofore, of other nations, we are not the carriers even of our own produce. That while American ships are condemned to lay at the wharves, a heavy tax to their owners, and daily going to ruin, the flag of their rivals rides triumphant in our harbors, and they are taking from our own merchants that trade which once afforded the means of their livelihood and prosperity. To the truth of the existence of such scenes and such sufferings I can add the weight of my own testimony, from personal observations."

James Barbour, a United States Senator from Virginia, said:

"The invidious policy of which we complain, and which is attended with such unpleasant effects, may be summed up in a few words. She has shut her ports in the possessions formerly alluded to, against American vessels and American property. *Not a cockboat, not an atom of anything that is American*, does she permit to enter, while she modestly insists to bring everything that she pleases from these possessions to the United States, and to purchase, *and exclusively to carry* the produce and manufactures of the United States in return; that is, she insists upon, and we have been tame enough to submit to it, *to enjoy exclusively* the whole of this valuable intercourse.

"It is time to take a stand. Let your demands be founded in justice. Let your purpose be firm—firm as your everlasting mountains—adopt the broad principle, to treat all nations *as they treat you*. If they talk about a want of equivalent, unroll the map of your country, and expose to their astonished eyes the boundless extent from the cataract of Niagara to the mouth of the Columbia—tell them of the variety of your climate, and of the fertility of your soil—of its vast productions, so essential to their commerce and even to their existence, and, when you shall have done so, let them

AN AMERICAN MERCHANT MARINE

know it is but the first dawnings of your future wealth and power.

“ . . . A direct and entire exclusion is better than a half-way system of onerous duties. The duties will either prevent the intercourse, or will not. If it prevent, it approaches, circuitously, what we propose directly. This is an open system. We tell Great Britain our intercourse in this way is forever closed. If, however, the duty system should not stop the intercourse, *the object of the bill is lost*. It is not revenue we want—of that we already have more than enough—and you tax the people wantonly. It is to do justice to our shipping, and to maintain our maritime rights, that alone will justify the measure. By stopping intercourse at once, this object is effected. By the other, you may lose, and cannot win.”

Rufus King, United States Senator from New York, said:

“We must learn wisdom from past times; and while the experience of the father is too often lost on the son, this ought not to be the case in the affairs of nations, which, living from age to age, and profiting by long experience, should become wiser as they grow older. The present condition of nations, and especially that of the inhabitants of our own continent, merits our watchful attention, and admonishes us to cherish our national resources, and seasonably to devise, and perseveringly to build up, those establishments, that our present safety demands, and which may be commensurate with our future destiny.

“Justice and moderation, which we so confidently hope may preside over and guide our public counsels, have not been found to be a sufficient armor for the defense of nations. ‘Wisdom, in the ancient mythology, was represented as *armed*, because experience had proved that good examples and noble precepts fail of their efficacy, unaccompanied by a power to enforce them.’ To defend ourselves, our houses, our harbors, and our commerce, from foreign aggression and violence, *a navy is acknowledged to be necessary*.

“An efficient navy never has existed, and cannot exist, *without* a commercial marine; and the maritime history of Europe which abounds with instruction on this subject,

NATIONAL ISSUES OF 1916

demonstrates this political truth, that the *naval power* of every nation is in proportion to *its commercial shipping*. Money may build ships, but the navigation of the great ocean only can make *seamen*, and it is in connection with this view of the subject that the exclusion of our shipping and seamen from the navigation between the United States and the colonies of England derives *its chief importance*." . . .

The policy of the United States had been one of defense to American shipping, and they had consistently resorted to the principle of protection; and therefore when their overtures for reciprocal trade conventions were made, they were either scorned or violated, and they very naturally resorted to protective measures to offset the evasion practised by Great Britain or any other country. Such were the acts of 1817, 1818, and 1820.

In 1817, we wisely excluded all foreign owned ships from our coastwise trade and fortunately that is our law today.

After Great Britain had closed the doors of the West Indies against us, and we were driven to recoup the great losses incident to this action on their part, our ship-owners turned to the East Indies. The Stars and Stripes soon floated over the Sea of China and became a familiar sight to the fishermen of Formosa and the Malay coasters of the Philippines. American prows parted the waves in the Bay of Bengal. The West India trade called for comparatively small vessels, from 100 to 200 tons, while the East India trade called for vessels ranging from 300 to 700 tons. This East India trade called our merchant marine to a much wider and more important field of action, and we again threatened English supremacy of the sea; at least she began to think so.

By 1820 we had regained much that we had lost through the unfriendly discriminations of Great Britain by her studied evasions of the true intent of our convention. Our deep-sea tonnage rose from 583,657 to a high-water mark of 757,998 in 1828.

AN AMERICAN MERCHANT MARINE

In 1825 Daniel Webster said, "We have a commerce which leaves no sea unexplored; navies which take no law from superior force."

Professor J. R. Soley says:

"In every respect we may say that this period represents the most flourishing condition of shipping in American history. Although since that time commerce has increased twelvefold, and although in the year preceding the Civil War our registered tonnage was three times as large, yet we have never since 1830 reached the position in respect to the carrying trade to and from American ports that was maintained during this decade, but, on the contrary, have receded from it further and further."

In May, 1827, the London *Times* contained these words of apprehension:

"It is not our habit to sound the tocsin on light occasions, but we conceive it to be impossible to view the existing state of things in this country without more than apprehension and alarm. Twelve years of peace, and what is the situation of Great Britain? *The shipping interest, the cradle of our navy, is half ruined. Our commercial monopoly exists no longer;* and thousands of our manufacturers are starving, or seeking employment in distant lands. We have closed the Western Indies against America from feelings of commercial rivalry. Its active seamen have already engrossed an important branch of our carrying trade to the Eastern Indies. Her starred flag is now conspicuous on every sea, and will soon defy our thunder."

PROTECTIVE TARIFF LAWS

We had passed a Protective Tariff Act in 1824, and the country had become comparatively prosperous, but in no department of our commercial life was the significance of the protective principle so pronounced as in American shipping, where there had been protection

since 1789. Indeed, we had been so successful that we had come to think that "we could whip all creation" in the building and sailing of ships.

This extravagant confidence of the time was expressed by United States Senator Woodbury of New Hampshire, who said:

"By this bill [the Reciprocity Act of May 24, 1828] we now hold out the olive-branch to all. If our terms are accepted, we may obtain most of the transportation now enjoyed by foreigners in the eight or ten hundredths of our foreign tonnage as they are now enabled to compete with us to that extent chiefly by the discrimination they enjoy at home."

The result of this action was that we did actually get the remaining *eight per cent* of our international shipping. But Great Britain in particular, in connection with the rest of the world, *got the ninety-two per cent we then had*. In other words, we exchanged the ninety-two per cent we had acquired through the principle of protection for the eight per cent that we did not have, and, through a free-trade policy we obtained the eight per cent which we did not have, which is typical of the invariable result when we turn from a protective to a free-trade policy.

To prove how little they comprehended the consequences of their act in supporting the Reciprocity Bill of 1828, it should be noted that in 1818 the city of Portsmouth had a shipping tonnage of 4.15 tons of shipping for every inhabitant, and was second only to Boston, which had 4.48 tons for each inhabitant. But today, with all its natural advantages and ship-building facilities, Portsmouth does not possess one single ship registered for foreign trade.

It is a matter of mathematical demonstration that from the passage of the act in 1828, or more particularly from the hour of the executive order of President Jackson in 1830, declaring our ports free and open to Great Britain, we have gradually and with the certainty of a

AN AMERICAN MERCHANT MARINE

musket-groove from that day to this been approaching the point of extinction of our overseas commerce.

ACT OF 1828

The act of 1828 provided as follows:

“That upon satisfactory evidence being given to the President of the United States by the government of any foreign nation that no discriminating duties of tonnage or impost are imposed or levied in the ports of said nation upon vessels wholly belonging to citizens of the United States, or upon the produce, manufactures, or merchandise imported in the same from the United States, *or from any foreign country*, the President is hereby authorized to issue his proclamation declaring that the foreign discriminating duties of tonnage and impost within the United States are, and shall be, suspended and discontinued so far as respects the vessels of the said foreign nation, and the produce, manufactures and merchandise imported into the United States in the same from the said foreign nation, *or from any other foreign country*; the said suspension to take effect from the time of such notification being given to the President of the United States, and to continue so long as the reciprocal exemption of vessels belonging to citizens of the United States and their cargoes, as aforesaid, shall be continued, and no longer.”

There is nothing more strange or anomalous in the political history of this country than the fact that while we passed one of our highest Protective Tariff measures in 1828 to further “*encourage and protect*” the industries of our country, we in the same year made shipping literally free.

We provided high protection for all of our industries, but adopted free trade for our shipping.

1789 TO 1830

With our overseas trade at the struggling point of seventeen and five-tenths per cent of our imports, and

NATIONAL ISSUES OF 1916

only thirty per cent of our exports, in 1789, through the constitutional power "of regulating our commerce with foreign countries" we had, against most untoward circumstances and the wily machinations of Great Britain, brought our foreign trade shipping to a point of great efficiency and marvelous achievement by 1820, when it stood at ninety per cent of our imports and eighty-nine per cent of our exports.

That our Merchant Marine was established upon a solid foundation in 1820, and under the same favorable circumstances, would have continued so down to this day but for the free-trade acts of 1815 and 1828, is proved by the fact that there was not a single year, during the ten years from 1820 down to 1830, that we carried less than ninety-one and four-tenths per cent of our imports, nor a single year when we carried less than eighty-four per cent of our exports.

GRADUAL AND CERTAIN DECLINE FROM 1830 TO 1910

Now note the gradual fall from the high-water mark of 1829 and 1830, in both of which years we carried ninety-three per cent of our imports and eighty-six per cent of our exports:

PROPORTION OF OUR CARRIAGE IN FOREIGN TRADE*

<i>Years</i>	<i>Imports</i>	<i>Exports</i>	<i>Years</i>	<i>Imports</i>	<i>Exports</i>
	Per Cent	Per Cent		Per Cent	Per Cent
1830.....	93.6	86.3	1870.....	33.1	37.7
1840.....	86.6	79.9	1880.....	22.	13.7
1850.....	77.8	65.5	1890.....	16.68	9.03
1860.....	63.	69.7	1900.....	12.94	7.07
			1910.....	10..	7.5

CAUSES OF THE DECLINE OF OUR MERCHANT MARINE

Certainly no one will claim that this decline of our Merchant Marine to the vanishing-point was due to the

* See Appendix A.

AN AMERICAN MERCHANT MARINE

fact that others built better or faster ships than we. For ours were accredited the very best in the world, and the swiftest by far that floated the sea, as the American ships often made three trips when the foreign-built made only two.

Neither our genius in building nor our skill in sailing ever suffered by comparison with the artisans or sailors of any other nation. We led the whole world in this industry from every point of view except only in the amount of traffic, in which England alone surpassed us.

It was the United States that started the first regular line of sail-packets, the famous Black Ball Line, between New York and Liverpool. This was founded in 1816. In 1822 another line was founded, and in 1823 a line to Hull was established.

These packet lines had fixed sailing-days. They departed and arrived with great regularity. They wrought a revolution in the transatlantic traffic. They were the real predecessors of the present steamship lines.

Mr. Marvin, in his work on *The American Merchant Marine*, says:

“They were not only more skilfully designed and built, but more liberally administered. Practically all the Packets were American. Britain could not compete with our builders in the style of the vessel and the luxury of the appointments, nor could she compete with the seamanship of our commanders. The Captains of the first-class Packets were the sea’s aristocracy. They won their posts by a process of natural selection. Their life was one of large dignity, but an even larger responsibility. They were given generous compensation. The result was that the Packet service attracted the very flower of the young men of the merchant marine.”

THE ADVENT OF THE STEAMSHIP

Aroused by the appearance of the steamship, the ship-builders of the sailing-craft developed the celebrated “Yankee Clipper.”

From the first of them the "Rainbow" of 750 tons, built in 1843, to the "Great Republic," queen of them all, which was launched in 1853, there has been nothing equal to the American Clipper as a sailing merchant-ship.

Mr. Marvin says:

"The magnificent fleet of white-winged racers which we produced in the years from 1850 onward had no equal before and has had no superior since in speed, power and beauty. The 'Sovereign of the Seas,' built at East Boston by the celebrated Donald McKay and sailed by his almost equally celebrated brother Lauchlan, left New York for San Francisco in August, 1851. Off Valparaiso, in the South Pacific, the great ship was almost totally dismasted, carrying away everything on the fore and main above the lower mastheads. In fourteen days Captain Lauchlan had put his broken-winged vessel under a wonderful jury rig, and with this he reached San Francisco in 102 days from New York,—'said to be the best passage ever made for the season.' The quickness with which the captain retrieved his disaster is a fine example of the resourcefulness of the kingly shipmasters in this golden age of the sailing Merchant Marine.

"From San Francisco the 'Sovereign of the Seas' crossed to Honolulu, and there loaded for New York. The passage to Sandy Hook was made in the unprecedented time of 82 days. In 22 days, so the story goes, the great clipper made 5,301 nautical miles, or one-fourth of the distance around the globe. From noon to noon on one day the record was 362 miles, or 15 miles an hour—and that at a time when the fastest ocean steamship was capable of no more than thirteen or fourteen. Another famous McKay clipper, the 'Flying Cloud,' made 374 miles one day in a ninety-day run to San Francisco. Most of the Atlantic steam liners were then rolling off about 300 miles,—oftener less than more. The 'Comet' is credited with a voyage of 83 days from the Golden Gate to Sandy Hook, 'averaging 210 miles a day' in all winds and weathers. The 'Palestine' of the Morgan line to London landed her passengers at Portsmouth in 14 days from New York, squarely beating the Cunard steamer that sailed at the same time. Indeed, in anything like a fair, strong breeze

AN AMERICAN MERCHANT MARINE

these long, finely modeled clipper-ships could overtake a lumbering steamship, pass her, and run her hull down in a few hours. The famous 'Sovereign of the Seas,' in a two-weeks' voyage from New York to Liverpool in June, 1852, made in one day 340 miles, while the Cunarder 'Canada' was making 200."

The "Great Republic" was 325 feet long and 53 feet wide, with four decks, and a tonnage of 4,555. Modeled after the clipper type, the "Dreadnought" was built for the famous Captain Samuels. In 1859 she ran from New York to Liverpool, 3,000 miles, in thirteen days and eight hours. In 1860 she made her record trip, the quickest ever made by a sailing-vessel, reaching Queenstown in nine days and seventeen hours.

The gold discovery in California, the Far Eastern trade, and the Crimean War, called forth the best that the clipper age produced.

Senator George F. Hoar of Massachusetts has paid to them this memorable tribute:

"I can remember very well the time when the names of the great ship-builders, Donald and Lauchlan McKay and their brothers, were famous all around the world. They were building or commanding the marvelous clipper-ships for which the shipyards of New England were unrivaled. It was a contest which enlisted the feeling and the pride of the whole people of the country. There was no boy's play of yacht-racing in those days. The strife was between nations, and the prize was the commerce of the world.

"It was the time when California, Australia and Oregon were first opening to trade. The merchant who could get the fastest ship had the market for the fruits of the Mediterranean, for the rugs of Smyrna, for the silks of India, and the teas of China, and supplied the new States of which the Anglo-Saxon race was then laying the foundations. It was the ships of this McKay family, of Donald and Lauchlan and their kindred, that carried off the prize in every contest. When John Bull came floating into San Francisco, or Sydney, or Melbourne, he used to find Uncle Sam sitting carelessly, with

NATIONAL ISSUES OF 1916

his legs dangling over the wharf, smoking his pipe, with his cargo sold and his pockets full of money. The flag of the United States was a flower that adorned every port and blossomed on every soil the world over."

DEVELOPMENT OF STEAM SHIPPING

The "Clermont" of Fulton, built in 1807, was the forerunner of a great fleet of side-wheelers plying the Hudson River and Long Island Sound.

The coastwise trade during the early '30's was carried on by steam craft at considerable expense, for the great advantages soon became manifest. By 1840 nearly all of the Southern ports were connected with New York by steamship lines, and the Eastern ports with Boston, and steamers were plying the Mississippi.

UNITED STATES FIRST TO CROSS THE ATLANTIC WITH STEAMSHIPS

The first vessel equipped with steam power to cross the Atlantic was an American ship,—the "Savannah." Her owner was William Scarborough, and her master, Moses Rogers. The "Savannah," though built in New York, steamed out of Savannah, Ga., whose name she bore, on May 26, 1819, and reached Liverpool June 20th. She was sail-rigged, as well as steam-equipped. When she approached the English coast with her stacks smoking furiously, she was mistaken for a ship afire, and revenue cutters were dispatched to assist her. But they were not wanted.

In 1838 a war steamer was built at New York for the Russian government. It was the "Kamschatka," and was 227 feet long, 44 feet wide, 24 feet deep, and had a registered tonnage of 2,282. This ship was much larger than the early Cunarders.

AN AMERICAN MERCHANT MARINE

In 1841 the first sea-going *propeller* was built in the United States. It was the "Clarion," of 250 tons. It was driven by an Ericsson screw, and was designed for the route between New York and Havana. In 1842 six *propellers* for the coasting trade, also equipped with Ericsson screws, were built at Philadelphia.

Mr. Marvin says:

"It was the superior strength and speed of the large coast-wise steamships of America which before and after 1840 drew to our shipyards the eager attention of foreign governments. The early Savannah, New Orleans, and Havana steam-packets were quite as good in every way as the first vessels built on the Clyde for the Cunard Company. Private enterprise had created in both America and Britain the mechanical facilities for constructing the hulls and machinery of seagoing steamships. In 1840, so far as skill in this form of construction was concerned, the two countries were practically equal. After 1845, when the Washington government gave a real though temporary protection to its steamship interests, the American ocean-going steamers proved to be distinctly superior in their performances to their British rivals. It is important to remember this fact, because it has been too often asserted that the change from sails to steam found America unprepared and incapable of meeting British competition. Britain had more workshops, it is true. Her machinery-making industry, after many years of rigid protectionism, had become very firmly established. But there were no British workshops that were better than those at Boston, New York, Philadelphia or Pittsburg. If our government had grasped the situation and acted as promptly, as boldly and generously as the British government acted, we should have beaten our kinsmen at building steamships, as we beat them at building sail-ships. American mechanics had just as much native aptitude for the one as for the other."

In 1838 the amount of American steam tonnage was twice as much as that of Great Britain. Our gross tonnage was 193,423; our net tonnage approximately

NATIONAL ISSUES OF 1916

164,410, while the net tonnage of Great Britain was only 74,684. In 1839 Great Britain granted her first subsidy, and within three years she established steamship lines to North and South America, Asia and Australia, *through the aid of subsidies.*

AMERICA SUPERIOR IN BOTH SAIL AND STEAM SHIPPING

Whether tested by inventive genius, enterprise, mechanical aptitude in construction or skill, in sailing packets, clippers or operating the steamship, every student of the history of this most interesting and vastly important subject is compelled to conclude that, everything being equal, the American man has proved himself the superior to that of any other nation. Then why the gradual and constant decline of the American Merchant Marine?

CONDITIONS CREATED BY OUR RIVALS RENDERED SHIPPING UNPROFITABLE

How could our rivals create such conditions as to render it unprofitable for us to carry on our own foreign commerce?

The cause is not far to seek, nor difficult to understand. Everyone will, indeed must, admit that if the conditions created by Washington, Hamilton, Jefferson and Madison by the acts passed by them in 1789, 1790 and 1794 had continued in force until now, we would not only be carrying our own share of the overseas commerce today, but would without doubt have a Merchant Marine equal to that of Great Britain herself, and our foreign trade would have been greatly increased, because ships are trade missionaries wherever they go.

The virility of the policy of the founders of the gov-

AN AMERICAN MERCHANT MARINE

ernment, the power of its defense, the method of certain expansion to the extent at least of exercising our natural right in carrying our own products to market and bringing back such purchases as would meet the demands of domestic trade, all combine to protect American shipping against the greed, ambition, diplomatic cunning and that intricate system of rules, regulations and underhand practices that have well-nigh driven the last American ship off the sea.

However, this deplorable condition, this sad result, this dangerous situation, could only have been brought about by our rivals through our permission and the utter disregard of our natural rights and vital interests.

By the acts of 1815, 1824 and 1828 we ourselves had made it possible for our rivals to despoil us of our rights, take all the profit of our vast overseas commercial trade of \$4,500,000,000 annually, and reduce us to a state of impotency that merits and is receiving the contempt of the whole civilized world.

THE VIRTUE OF OUR FIRST SHIPPING ACTS PROVED

Only by recalling the desperate conditions confronting the founders of the government in 1789, and the perils and disasters that encompassed our Merchant Marine from 1793, when England went to war with France, down to 1815, when peace was declared with Great Britain, can we appreciate the virtues of that policy, which began with only a remnant of ocean trade and built it up and maintained it at the average high level of eighty-eight per cent of our imports and eighty per cent of our exports for more than a quarter of a century; or, to be exact, for twenty-six years.

Though we were neutral in England's war with France, England violated our neutrality, and evidently with the purpose of running our flag off the sea, she availed

herself of the opportunity this occasion gave her and seized or detained 600 of our vessels. The result was the "Jay Treaty,"—an unfortunate incident in our diplomatic life, at least so far as it affected the fortunes of our Merchant Marine.

WARS WITH BARBARY

The Barbary Corsairs of the Mediterranean had been harassing our seamen for many years. On January 20, 1798, "The Crescent," as a result of a disgraceful contract made with the Dey of Algiers, by which we had agreed to pay him \$1,000,000, left the harbor at Portsmouth with twenty-six barrels of dollars, in the hope that, upon the presentation to this greedy potentate of this beautiful ship and his round million, we might have peace. But this cowardly concession had just the reverse effect upon this plundering pirate, while it only inspired the other Barbary States to new depredations upon our commerce. Although the number of vessels actually seized was not large, the threatened danger to our commerce led to almost ruinous insurance rates.

Added to their impulses to commit depredations upon our Merchant Marine, "British Diplomacy" had been encouraging another Barbary despot, the Bey of Tunis, to declare war upon American commerce.

Marvin, in his work, "The American Merchant Marine," says:

"Tribute of money, guns, powder, naval stores and even complete warships had failed to appease the Dey of Algiers, and had inflamed the jealousy of the sea-thieves of the other Barbary States. Tunis demanded her share, and when she received it, Jessuf Karamauli, Bashaw of Tripoli, sent an impudent demand to President Adams. The reply was not satisfactory. On May 14, 1801, the Bashaw cut down the flagstaff of the American consulate, thus declaring war in

AN AMERICAN MERCHANT MARINE

characteristic Turkish fashion upon the United States. A swarm of corsairs was at once let loose upon the American merchant-ships bound to and from the north shore of the Mediterranean, while two cruisers of considerable force were sent to seize American vessels at the Straits of Gibraltar, or even outside in the Atlantic."

France, still in the mad delirium of the first Revolution, forgetting her foresworn friendship, seemed to try to outdo England herself in her depredations upon our unprotected commerce. French privateers hovered thickly in the West Indian waters, and because of greed, jealousy or hatred of England, brought our West Indian trade to utter ruin. More than one hundred of our ships were under seizure in France, in 1793.

In 1794 a list was published of thirty-eight vessels which were captured by French warships and privateers and taken into French ports and confiscated, although we were at peace with France and all the world.

WAR WITH FRANCE

Years of useless protest and futile negotiations passed by, when finally, in 1798, through desperation, we abrogated all our treaties with France and instructed our naval commanders to seize all French vessels and then to attack them wherever found.

On February 3, 1801, a treaty of peace of a war which had never been declared was ratified.

Through the "Treaty of Amiens" Europe had a breathing-spell of a few months' peace. Then England and France rushed into that frightful European conflict that did not terminate until Napoleon went down at Waterloo. While he won at Austerlitz the Corsican lost at Trafalgar, and French shipping was driven from the sea. Naturally the commerce of the North Atlantic sought protection and refuge under neutral flags.

NATIONAL ISSUES OF 1916

McMaster, in his "History of the American People," says:

"In two years, almost the whole carrying trade of Europe was in their hands. The merchant flag of every belligerent save England disappeared from the sea. France and Holland absolutely ceased to trade under their flags. Spain for a while continued to transport specie and bullion in her own ships, protected by her men-of-war. But this, too, she soon gave up, and by 1806 the dollars of Mexico and the ingots of Peru were brought to her shores in American bottoms. It was under our flag that the sugar trade was carried on with Cuba; that coffee was exported from Caracas, and hides and indigo from South America. From Vera Cruz, from Carthagena, from La Plata, from the French colonies in the Antilles, from Cayenne, from Dutch Guiana, from the Isles of France and Reunion, from Batavia and Manilla, great fleets of American merchantmen sailed for the United States, there to neutralize the voyage and thence go on to Europe. They filled the warehouses at Cadiz and Antwerp to overflowing. They glutted the markets of Embden and Lisbon, Hamburg and Copenhagen, with the produce of the West Indies and the fabrics of the East, and bringing back the products of the looms and forges of Germany to the New World, drove out the manufactures of Yorkshire, Manchester and Birmingham."

WAR OF 1812

Great Britain saw our commerce flourishing and her own pre-eminence on the seas threatened. She saw the Colonies of her enemies saved from ruin and starvation, therefore our Merchant Marine must be crushed in the interest of British ship-owners and the British Navy. She began her campaign of destruction by a blockade of the French West Indian colonies, Guadeloupe and Martinique, then the blockade of the Dutch colony of Curaçao, and finally our ships were shut out of Central European ports by a proclamation covering the Straits of Dover and the English Channel.

To complete the deadly work she had set about to do,

AN AMERICAN MERCHANT MARINE

she reversed her own long-established decisions, and in 1805 condemned fifty-six ships and took them into the ports of England, and as many more into the harbors of her West Indian colonies.

But England was not satisfied with stealing our ships, but began stealing our seamen, and in 1806 and 1807 the files of the State Department showed that she had taken 6,000 American sailors and was compelling them against their will to sail her own ships.

She stopped and robbed our ships right here in our own waters. We passed the Non-Importation Act, and she answered by a royal decree requiring all British officers to enforce impressment to the very limit.

We passed the Embargo Act in 1807, which lasted nearly two years, being repealed in 1809. During 1808 our foreign commerce fell off from 246,000 tons to 79,000 tons. On the day of repeal, trade opened with all of the foreign ports except those of France and England, their dependencies and colonies.

A sad surprise and bitter disappointment awaited us, for Napoleon had set a diabolical trap to catch our ships. Thiers says that Napoleon wrote to the Prussian government:

“Let the American ships enter your ports; seize them afterward. You shall deliver the cargoes to me, and I will take them in part payment of the Prussian war debt.”

Marvin, in his “American Merchant Marine,” says:

“The blow was terrible in its suddenness and completeness. Napoleon estimated the value of his American booty at \$2,000,000 in Antwerp, \$2,400,000 in Holland, and \$1,600,000 in Spain; but in this \$6,000,000, the seizures of American ships in Denmark, Hamburg, France, and Italy are not included. A report by the American Consul in Paris to the American Minister, Armstrong, stated that between April, 1809, and April, 1810, fifty-one American ships had been seized in the ports of France, forty-four in the ports of Spain, twenty-eight in Naples, and eleven in the ports of Holland.

NATIONAL ISSUES OF 1916

These one hundred and thirty-four American ships at \$30,000 each—they were probably worth much more—represented a value of \$4,000,000. For the \$10,000,000 of which Napoleon thus robbed American ship-owners and merchants, France twenty years afterward paid \$5,000,000 indemnity. But it was too late and too inadequate to restore our despoiled shipping.”

The effect of Napoleon’s greed and treachery resulted in a shrinkage of nearly twenty-five per cent of our entire tonnage, since it fell from 984,269 tons in 1810 to 768,852 tons in 1811.

In June, 1812, war was declared against us by Great Britain. She immediately blockaded our coasts, and our coastwise trade straightway became a most hazardous occupation. As a war measure another embargo was laid December 17, 1813. Between our own embargo and the war, our overseas commerce was literally extinguished for the time being.

On February 15, 1815, after nearly three years of destructive war upon our overseas commerce a treaty of peace was made with Great Britain.

Now there have been those who have suggested that our overseas trade was helped by these incidents of disaster here recounted, simply because they have resolved to deny that its marvelous strength through all these tragic calamities was attributable to the true cause,—the protective acts of 1789, 1790, 1794 and 1804.

As already stated, we maintained an average of eighty-eight per cent of our import trade and eighty per cent of our export trade during the twenty-six years following the adoption of the Constitution, notwithstanding the fact that there was not a single year from 1792 until 1815 when a destructive war was not being carried on by some one against our ocean commerce. The true and only reason for this unparalleled achievement was the exercise of the constitutional power of Congress “to regulate commerce with foreign nations” in the interest of the American people.

AN AMERICAN MERCHANT MARINE

ENGLISH SHARP PRACTICE

The following fifteen years were years of peace, but they were years of legislative and diplomatic controversy over the question of what was genuine reciprocity between Great Britain and the United States. However, not until after the act of 1828 was passed did England succeed in tricking us out of a "Square Deal." But from that day to this she has been gradually undermining our Merchant Marine, until today we have none worth the name.

As a more specific and significant answer to the suggestion that these first years of continuous warfare were favorable to the growth of our Merchant Marine, it should be noted that during the five years beginning with 1794, we carried ninety-two per cent of our imports and eighty-seven per cent of our exports, while during the five years, 1813, 1814, 1815, 1816 and 1817 we carried only seventy-two per cent of our imports and sixty-six per cent of our exports. Again, it should be noted that from 1820 to 1830 we carried ninety-three per cent of our imports and eighty-six per cent of our exports. This period was the Golden Age of the American Merchant Marine.

How have we been completely despoiled of one of the three great resources of our national wealth,—international commerce and navigation?

MARITIME POSITION OF GREAT BRITAIN IN 1830

1. Her prohibitive shipping act of 1381 had its influence in laying the foundation for her future maritime greatness.
2. Her Navigation Act of 1651 completely destroyed the shipping interests of the then Mistress of the Sea, and transferred practically all of Holland's overseas commerce to England.

NATIONAL ISSUES OF 1916

3. Her naval power had always been able to protect her interests in the overseas trade, and never failed to do so, and therefore her vessels were naturally preferred.
4. Her overseas trade and naval power had the effective tendency to give Great Britain the monopoly in ship-building and navigation.
5. She had gained all the advantages of a high and often a prohibitive tariff system which had been in force for two hundred and fifty years.
6. She had consequently built up vast manufacturing interests and had the best artisans in all lines of production.
7. She had the advantage of statutes of all kinds of exclusion both of commodities and vessels.
8. She had long-standing connections and agencies in every commercial center of the world.
9. She had a complete organization of banking connections throughout the civilized world.
10. She had large insurance interests, and all the brokerage facilities necessary to handicap all the rest of the insurance world.
11. She had ample capital at the lowest rates of interest, and the world was pouring into her lap almost uncounted tribute every year, from her globe-wide investments.
12. The whole business world was full of prejudice against a Republican form of government, while jealousy of our achievements upon the sea had found lodgment almost everywhere.

MARITIME POSITION OF THE UNITED STATES IN 1830

1. Daniel Webster declared that the effect produced by the tariff of 1824 and 1828 was profound and general, reaching all classes,—the farmer, the

AN AMERICAN MERCHANT MARINE

manufacturer, the ship-owner, the mechanic, the day-laborer. The change was as great as was wrought when Hamilton smote the rock of public credit and abundant streams of revenue burst forth.

And Henry Clay said:

“On a general survey we behold cultivation extended; the arts flourishing; the face of the country improved; our people fully and profitably employed; the public countenance exhibiting tranquillity, contentment and happiness; its public debt of two wars nearly redeemed; and, to crown all, the public treasury overflowing. If the term of seven years were to be selected of the greatest prosperity which this people has enjoyed since the establishment of their present Constitution, it would be exactly that period of seven years which immediately followed the passage of the tariff in 1824.”

2. In 1830 our merchant marine carried ninety-three and six-tenths per cent of our imports and eighty-six and three-tenths of our exports.
3. While American prosperity reigned on land and sea, establishing conditions favorable to achievements in our overseas commerce, we lacked all those subtle powers and invincible forces that are absolutely essential to success in a free-trade trial of strength,—ample cheap capital, cheap labor, banking connections and mercantile houses in all parts of the world, identified and cooperating with our shipping interests, which were then further handicapped by discriminating underwriters, who worked incessantly in the interest of our one great competitor.
4. We had already started upon our reciprocal free-trade course when we passed the acts of 1815 and 1824. We now proceeded to complete the

NATIONAL ISSUES OF 1916

deadly work so inauspiciously begun, by passing the reciprocal free-trade act of 1828 and its supplement on May 29, 1830. On October 5, 1830, President Jackson did the rest by proclamation in pursuance of the act.

THE NEXT TEN YEARS DEMONSTRATES THE EFFECT OF THE ACT OF 1828 AND JACKSON'S ORDER

It must be remembered that it was in the power of Parliament to burden the new trade with increased and heavy duties. This it proceeded to do immediately to the great advantage of all British interests and the corresponding injury to our own.

England so manipulated the situation to get back her "triangular trade" with the West Indies "while we got cheaper rum." In 1830 English ships brought 78,947 tons into our ports. For ten years the average tonnage brought in by English ships had been only 76,518. The year following 1830, English ships brought in 143,806 tons, and for the first ten years the average brought in by her ships was 212,661 tons, or sixty-three per cent of all our foreign trade.

In the decade of 1831 to 1840, while American tonnage gained only forty per cent in all the ports of the world, British tonnage increased four hundred per cent in our own ports alone. So the practical result was that the British got our ports open by pushing us into the policy of reciprocal free trade, by diplomatic manoeuvring, and then through perfidious rules and legislative burdens she so manipulated the circumstances as to appropriate all that was to be gotten out of the deal; for all that we got was experience, the net result being only a sad recollection at most. This was an experiment of free trade in ocean commerce, which resulted only in building up foreign navigation and ruining our own.

AN AMERICAN MERCHANT MARINE

While we had carried ninety-three and six-tenths per cent of our imports in 1830, we carried only eighty-six and six-tenths per cent in 1840. And while we carried eighty-six and three-tenths per cent of our exports in 1830, we carried only seventy-nine and nine-tenths per cent in 1840.

Here is the concrete result of protecting our merchant marine through constitutional power, by regulating our commerce with foreign nations for forty years, and the first ten years of reciprocal free trade in our overseas commerce.

Mark this, and note it well. From 1830 down to 1840 we had lost seven per cent of the import traffic and six per cent of our export traffic. This occurred before Great Britain began to subsidize steam shipping.

Samuel Cunard, who was a partner of a leading ship-owning firm of Boston, Mass., was an enterprising, progressive, farseeing and ambitious young man. He conceived the idea of starting an ocean mail line, and went to London for the capital.

“In 1839 the government awarded an Atlantic mail contract calling for a subsidy of \$425,000 a year to him and his associates. This was the genesis of the world-famed Cunard Company. From its very first hour it was a protected enterprise. It began in 1840 with four wooden, side-wheel steamers of moderate size and power,—the ‘Acadia,’ ‘Britannia,’ ‘Columbia’ and ‘Caledonia.’ ‘It is beyond question,’ declares Professor James Russell Soley, in his review of ‘The Maritime Industries of America,’ ‘that the sum paid to the Cunard Company in its early days, amounting to about 25 per cent per annum on the cost of the running plant, and subsequently increased to \$550,000, to \$750,000 and to \$850,000, was clearly a subsidy; that it was given with the plain intention of establishing firmly in English hands the transatlantic traffic, and that it accomplished the desired result.”

From 1840 to 1850 we lost eight and eight-tenths per cent of the import tonnage and fourteen and four-tenths

NATIONAL ISSUES OF 1916

per cent of our export tonnage. From 1850 to 1860 we lost fourteen and eight-tenths per cent of our import tonnage and gained four and two-tenths per cent of our export tonnage. From 1860 to 1870 we lost thirty per cent of our import tonnage and thirty-two per cent of our export tonnage. From 1870 to 1880 we lost eleven per cent of our import tonnage and twenty-four per cent of our export tonnage. From 1880 to 1890 we lost five and three-tenths per cent of our import tonnage and four and four-tenths per cent of our export tonnage. From 1890 to 1900 we lost three and seven-tenths per cent of our import tonnage and one and nine-tenths per cent of our export tonnage. From 1900 to 1910 we lost two and ninety-four hundredths per cent of our import tonnage and gained forty-three thousandths per cent of our export tonnage.

AN ILLUSTRATION OF THE UNSWERVING, UNDYING DEVOTION OF GREAT BRITAIN TO FREE TRADE AS A MORAL PRINCIPLE

There are three decades between 1830 and 1910 to which special attention should be drawn, because of the specific reason for the marked decline during those three decades as compared to the regular and gradual decline of all the others.

In 1845 and 1847 we passed very wise, well-balanced and efficient mail subsidy acts, with a view of protecting our Merchant Marine and supplying the country with mail and naval steamers. The following amounts paid out annually by the United States and Great Britain demonstrate what we were up against in the line of subsidies and *just how conscientiously Great Britain practised her free-trade morals when they did not pay.*

AN AMERICAN MERCHANT MARINE

SUBSIDIES AND PAYMENTS FOR THE OCEAN MAIL SERVICE OF GREAT BRITAIN
AND THE UNITED STATES FROM 1848 TO 1878

Year.	Great Britain. Subsidy to British steamers.	United States.—			—Percentage— paid.	
		To Ameri- can steamers.	To for- eign steamers.	Total amount paid.	To Ameri- can steam- ers.	To for- eign steam- ers.
1848....	\$3,250,000	\$100,500	.....	\$100,500	100.0	....
1849....	3,180,000	235,086	.....	235,086	100.0	....
1850....	5,313,985	619,924	.....	619,924	100.0	....
1851....	5,330,000	1,465,818	.....	1,465,818	100.0	....
1852....	5,510,635	1,655,241	.....	1,655,241	100.0	....
1853....	5,805,400	1,880,273	.....	1,883,273	100.0	....
1854....	5,950,559	1,903,286	.....	1,903,286	100.0	....
1855....	5,741,633	1,936,715	.....	1,936,715	100.0	....
1856....	5,713,560	1,886,766	.....	1,886,766	100.0	....
1857....	5,133,485	1,589,153	.....	1,589,153	100.0	....
1858....	4,679,415	1,177,303	\$33,758	1,211,061	97.2	2.8
1859....	4,740,179	1,079,230	125,350	1,204,570	89.5	10.5
1860....	4,349,760	707,245	147,085	854,330	82.7	17.3
1861....	4,703,285	570,953	235,932	806,885	70.7	29.3
1862....	4,105,353	80,686	293,932	374,618	21.6	78.4
1863....	4,188,275	79,397	336,677	416,074	19.1	81.9
1864....	4,503,050	64,356	376,085	440,441	14.6	85.4
1865....	3,981,995	66,572	408,856	475,428	14.0	86.0
1866....	4,227,018	245,605	468,324	713,929	34.4	65.6
1867....	4,079,966	411,065	456,138	867,203	47.4	52.6
1868....	4,047,586	625,239	390,907	1,016,146	61.5	38.5
1869....	5,481,690	757,964	343,726	1,101,690	68.8	31.2
1870....	6,107,761	791,389	315,944	1,115,333	70.9	29.1
1871....	6,070,741	699,661	275,364	975,025	71.7	28.3
1872....	5,693,500	805,788	221,103	1,026,891	78.4	21.6
1873....	5,665,296	815,400	228,757	1,044,157	78.1	21.9
1874....	5,697,346	750,296	238,098	988,394	75.9	24.1
1875....	4,860,000	740,361	236,283	976,644	75.8	24.2
1876....	4,420,261	580,063	173,547	756,610	76.9	23.1
1877....	3,976,580	283,835	162,061	448,896	63.8	36.2
1878....	3,914,990	40,152	159,828	199,980	20.1	79.9

It will be noted that in 1848 we were paying American steamers \$100,500, and that we increased the amount gradually up to 1855, when we paid our own steamers \$1,936,715. Concurrently, Great Britain increased her subsidies from \$3,250,000 up to \$5,950,559 by 1854, or more than \$2,700,000 in the short space of six years. In 1854 we imposed certain restrictions on our mail contracts. By act of Congress in 1855 there was a substantial reduction in the amount to be paid by us. In 1858 there was an abrogation of our ten-year contract

clause. In 1859 notice was given of complete abrogation of all contracts. Great Britain was evidently getting in her Italian hand, or our free-traders were bent for some reason or other on ending the mail contracts. But what is more likely, both were working harmoniously together for the purpose of transferring the pay for carrying our mail to Great Britain. They succeeded admirably, for in 1862 we paid our own steamers only \$80,686 and foreign steamers \$293,932. In the meantime Great Britain had lowered her subsidies to \$4,105,000,—a reduction of \$1,845,206 within the space of eight years.

Again after the Civil War in 1865 and in 1867 we took steps to assist some of our mail steamers and increased the amount paid to them from \$66,572 to \$991,389 in 1870. Great Britain, *devoted to the moral principle of free trade*, to offset the effect, increased her subsidies from \$4,079,966 in 1867 to \$6,107,761 in 1870,—an increase of more than \$2,000,000 in the space of three years. By 1878 we had reduced our payment to our own steamers to \$40,152. Great Britain immediately followed suit by reducing her subsidies to \$3,914,000, or more than \$2,000,000 within the space of eight years.

What a sweet-scented disciple of the *religion* of free trade England proved herself to be *when it did not pay to practise the principle of free trade*.

The point, the fact, that must be noted and remembered is this, that from 1850 to 1856 we maintained our relative place upon the sea, carrying as much in 1856 as we carried in 1850,—the amount being seventy-seven and eight-tenths per cent of our imports and sixty-five and five-tenths of our exports in 1850, and seventy-eight per cent of our imports and seventy and nine-tenths per cent of our exports in 1856; *but that, from 1856 to 1861, the year the war broke out, or within the period of five years we lost eighteen per cent of our import carriage, although we held our own in export carriage. This great*

AN AMERICAN MERCHANT MARINE

loss followed the cancellation of our mail subsidy contracts and preceded the outbreak of the war.

The second point, the second fact, to be noted and remembered is this: that from 1871 down to 1876 we practically held our own, carrying thirty-one per cent of our imports and thirty-two and six-tenths per cent of our exports in 1871 and thirty and eight-tenths per cent of our imports and twenty-five and four-tenths per cent of our exports in 1876.

In 1875 we abrogated our mail subsidy contracts and our shipping fell off from 1876 down to 1880 to a tragic degree, we then carrying only twenty-two per cent of our imports and thirteen and seven-tenths per cent of our exports as against thirty-one per cent of our imports and thirty-two and six-tenths per cent of our exports in 1876.

A STRIKING ILLUSTRATION OF THE LOVE AND DEVOTION OF GREAT BRITAIN TO THE UNITED STATES AS A NATION

American shipping fell off in 1861 down to 1866, or during the Civil War, when Great Britain attempted to break up the Union, more than one-half, falling from sixty per cent of our imports and seventy-two per cent of our exports in 1861 down to twenty-five per cent of our imports and thirty-seven and seven-tenths per cent of our exports in 1866. Why? Because England loved us so? Possibly she may be like the Lord in this one respect, that whom she chasteneth she loveth. Mr. Marvin says in his work, "The American Merchant Marine":

"The Great British purchases of American tonnage came several years later, during our Civil War, when Anglo-Confederate cruisers compelled American merchants to choose between laying their ships up in port to rot away, or selling them at a half or quarter of their cost to foreigners. But this

NATIONAL ISSUES OF 1916

was in the nature of a forced or bankrupt sale, not of an ordinary mercantile transaction. In the one year, 1864, beneath this extraordinary pressure, more American ships were disposed of to foreign owners than had been sold in all the years between 1854 and 1860."

Outside of these three circumstances,—the abrogation of our mail contracts in 1858, when we lost ten per cent of our shipping in five years, the Civil War period, when we lost thirty-seven and eight-tenths per cent in four years; and the abrogation of our mail contracts in 1875, when we lost ten and three-tenths per cent in five years; or a total of fifty-eight per cent as a result of these three specific causes,—Great Britain has been gradually and certainly choking the life out of our Merchant Marine by the application of those all-powerful influences which she has so successfully set in motion, for the express purpose of dominating the sea.

ENGLAND PROTECTS HER FREE TRADE

It remains to observe that while Great Britain succeeded in manœuvering us into a free-trade position, in shipping, in 1828, she then cautiously bided her time, careful to the last degree to make doubly sure that she took no chances when she adopted our free-trade policy upon the sea.

By 1834 she had established "Lloyd's Register"; by 1839 she had established her subsidy system; by 1849 she had perfected her globe-encircling banking and mercantile arrangements, if they could possibly be strengthened in any way; she had ample, cheap capital; she had cheap labor; she had great ship-building plants; she was confident, she knew, in 1849, *twenty-one years after our proffer of free trade was made, that she had so protected herself that she took absolutely no chances whatever in then accepting our free-trade offer in shipping.*

AN AMERICAN MERCHANT MARINE

In the light of these facts no fair-minded man, no sane man, will say that it was the advent of steam ship-building that gradually, slowly, but,—as certainly as a cancer finally eats into the vitals of its victim,—practically ended the life of the American Merchant Marine.

The true cause of the decline of American shipping is apparent when we recall that from 1790, when Great Britain had a tonnage of 218,914, she gradually lost it, until in 1796 she had a tonnage of only 19,000, we having gained the difference.

It is a matter of mathematical demonstration that from 1790 down to 1830 we gained and held about ninety per cent of our import tonnage and about eighty-eight per cent of our export tonnage unless some extraordinary circumstance interfered with the operation of our tonnage tax and differential duties. If further evidence of its efficacy is needed, read what Mr. McGregor, secretary to the British Board of Trade and author of "McGregor's Statistics," in discussing the policy of discriminating duties and its effect on the shipping of other nations when in force, says:

"In the American navigation laws countervailing duties were imposed upon all foreign vessels trading to the United States of half a dollar a ton duty beyond what should at any time be paid by American ships; and further, that goods imported in foreign vessels should pay a duty of ten per cent over and above what was payable on the same description of goods when imported in American vessels. These countervailing duties were directed against the navigation of Great Britain, and grounded on the same principles as the British navigation laws. Various measures to counteract the American system were devised by the British Government and they failed upon the principles of our continuing to maintain in full force the navigation laws. To all intelligent men it became evident that we had engaged in an unequal struggle, and that the real effect of our policy was to give a bounty on the importation of the manufactured goods of other countries

NATIONAL ISSUES OF 1916

into the United States, to the gradual exclusion both of our manufactures and ships from the ports of America."

This is the testimony of an eminent British authority on the subject of discriminating duties and their beneficial effects on American shipping, and should carry conviction to all Americans entertaining any doubt on the subject.

The steamship had now proved to be a success, not only in our overseas trade, but we had in our coastwise trade shown ourselves to be complete masters, the leaders in the building and operation of steam-vessels as well as sailing-ships, as already pointed out.

BRITISH METHODS OF SHIP PROTECTION, SUBSIDIES AND SUBVENTIONS

In 1840 the British were leading in manufactures as well as in commerce and navigation. Markets were the things that were essential above all else if England was to maintain her ascendancy. Her merchants demonstrated to the government the advantage to them of lessening the time of communication between England and all other countries; the vast importance of regular, rapid and reliable steam transit.

Professor James R. Soley, in his review of "The Maritime Industries of America," says:

"It is beyond question that the sum paid to the Cunard Company in its early days, amounting to about twenty-five per cent per annum on the cost of the running plant, and subsequently increased to \$550,000, then to \$750,000, then later to \$850,000, was clearly a subsidy; that it was given with the plain intent of establishing in English hands transatlantic traffic and that it accomplished its desired purpose."

A. A. Low, Esq., father of Seth Low of New York, stated:

AN AMERICAN MERCHANT MARINE

“My own belief is that the policy of England in subsidizing lines of steamers to the various ports of the world has given her a prestige which is almost insuperable. . . . My own impression is that large subsidies should be given as an inducement, and that these subsidies, while they would cost the government something in the beginning, would cost the government nothing in the end.

“I only know the English have always, in peace and war, manifested a determination to hold the supremacy on the ocean, and the supremacy which they acquired by arms in war they have in peace acquired by subsidies. They have deliberately and intentionally driven the Americans from the ocean by paying subsidies which they knew our Congress would not pay. I believe it has been the deliberate purpose on the part of England to maintain her supremacy upon the ocean by paying larger subsidies than any other nation, as long as subsidies were necessary to preserve their control.

“I believe that when the Collins line was running, the subsidy to the Cunard line was renewed for the express purpose to enable it to run off the Collins line (first voyage April 27, 1850). It was renewed several years before the expiration of the subsidy granted, so that the Cunard line might enter upon contracts for new ships, and a committee of the English Parliament, similar to this committee, was employed to make the most minute investigation into the matter. It was after the most careful inquiry by that committee that the contract with the Cunard was renewed for the express purpose of enabling that line to run the American steamers from the ocean; and they have driven us from the ocean by that policy just as effectually as they ever did drive an enemy from the ocean by their guns.”

Mr. Low is here referring to the period already described, commencing with 1856 and ending with 1861.

England is known as the “mother of subsidy,” and it is said that she had found “subsidy” an amazing stimulant for navigation and commerce. In the course of twenty years, nine mail subsidy contracts were entered into by Great Britain. It is said that the British postal receipts have averaged only half the subsidies.

NATIONAL ISSUES OF 1916

Great Britain also pays subventions to a limited number of vessels suitable for cruisers or transports in time of war, the payment being in the nature of an option.

The aggregate amount paid by foreign nations in the form of subsidies, ocean mail pay, navigation and construction bounty, admittedly subventions, naval-reserve appropriations, fisheries bounties, refund of Suez Canal tolls, and other forms of contribution which directly or indirectly add to the volume of business under their respective national flags is upward of \$54,000,000.

The total amount of subsidies and subventions in one form or another paid by Great Britain and her colonies now exceed \$9,000,000 annually.

The amount paid out in the form of subsidies and subventions by Great Britain and her colonies from 1800 down to 1915, exceed \$500,000,000.

Great Britain boasts that she is a free-trade country. But the fact is, Great Britain is for free trade when she thinks free trade pays; and she is for protection when she thinks protection pays. Great Britain is essentially and above all else a practical and business nation. Will it pay? That is the question.

In discussing the subject of protection in English shipping, Mr. Blaine, in his celebrated reply to Mr. Gladstone in 1890, said:

“Does Mr. Gladstone’s estimate of the immorality of protection apply only to protection on land, or is supremacy on the sea so important to British interests that it is better to throw morals to the wind and resort to whatever degree of protection may be necessary to secure the lead to English ships? . . . I fear that Mr. Gladstone’s code of morals on this question of protection will not secure much respect in other countries so long as it spoils in salt water.

“It will not escape Mr. Gladstone’s keen observation that British interests in navigation flourish with less rivalry and have increased in greater proportion than any other of the

AN AMERICAN MERCHANT MARINE

great interests of the United Kingdom. I ask his candid admission that it is the one interest which England has protected steadily and determinedly, regardless of consistency and regardless of expense. Nor will Mr. Gladstone fail to note that navigation is the weakest of the great interests in the United States, because it is the one which the national government has consistently refused to protect.

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“On many points and in many respects it was far different with Great Britain a hundred years ago. She did not then feel assured that she could bear the competition of Continental nations. She was therefore aggressively, even cruelly, protective. She manufactured for herself and for her network of colonies reaching around the globe. Into those colonies no other nation could carry anything. There was no scale of duty upon which other nations could enter a colonial port. What the colonies needed outside of British products could be furnished to them only in British ships.

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“Mr. Gladstone, however, commits himself to the principle that ‘all protection is morally bad.’ If this has been his belief ever since he became an advocate of free trade, his conscience must have received many and severe wounds as session after session, while Chancellor of the Exchequer, he carried through a parliamentary bounty—may I not say a direct protection?—of one hundred and eighty thousand pounds sterling (\$900,000) to a line of steamers running between England and the United States.”

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“It may be urged that this sum was paid for carrying the Anglo-American mails, but that argument will not avail a Free-Trader, because steamers of other nationalities stood ready to carry the mails at a far cheaper rate. Nay, a few years ago, possibly when Mr. Gladstone was Premier of England, public bids were asked to carry the Anglo-Indian mails. A French line offered a lower bid than any English line, but the English Government disregarded the French bid and gave the contract to the Peninsular and Oriental line owned by a well-known English company. Still later, the German Lloyd Company contracted to carry the Anglo-American mails cheaper than any English line offered,

NATIONAL ISSUES OF 1916

and the German company actually began to perform the duty. But Englishmen did not want that kind of free trade, and they broke the contract with the German line and again gave protection to the English ships. Does this not justify the opinion that the English policy of free trade is urged where England can hold the field against rivals, and that when competition leaves her behind she repudiates free trade and substitutes the most pronounced form of protection?"

IMPORTANT BRITISH TESTIMONY

The great free-trader, Adam Smith, advocated prohibition and discrimination in favor of British shipping. In his "Wealth of Nations" he says:

"There seems, however, to be two cases in which it will generally be advantageous to lay some burden upon foreign, for the encouragement of domestic industry. The first is when some particular industry is necessary for the defence of the country. The defence of Great Britain, for example, depends very much upon the number of its sailors and shipping. The act of navigation, therefore, very properly endeavors to give the sailors and shipping of Great Britain the monopoly of the trade of their own country, in some cases, by absolute prohibitions, and in others by heavy burdens upon the shipping of foreign countries."

A British historian, in speaking of the provision in the navigation law of Great Britain which prohibited goods being imported into England except in vessels belonging to British owners and built by British builders, says:

"The result of that act far transcended the wildest dream of Lombard and Venetian avarice or the grandest schemes of Spanish and Portuguese conquest. It not only secured to the people who enacted it the greatest share of the world's carrying trade, but the trade also knew its master and followed with becoming servility."

AN AMERICAN MERCHANT MARINE

Mr. J. Henniker Heaton, an eminent member of Parliament, conspicuous for his thorough knowledge of the British Postal System, stated, in an article in the *North American Review*, in 1894:

“For many years the American mails (as well as American goods) were carried to Europe almost exclusively in British vessels. Early in the century the British Government adopted the sagacious policy of subsidizing the shipping companies which ran vessels to the colonies and the foreign countries. . . . This policy of state aid was so brilliantly successful in developing trade and maintaining the supremacy of the British mercantile marine, that it was adopted in turn by all the great powers, with the single exception, until recently, of the United States. As American ships were not subsidized, their vessels could not compete with the Cunard and other companies, the art of ship-building languished and the American carrying trade was transferred to foreign bottoms. In 1891, only thirteen per cent of the exports of the United States were carried in American ships, which had at one time engrossed 90 per cent. As a consequence of refusing five millions a year in subsidies during thirty years to native ship-owners, or \$150,000,000, the United States had to pay in the same period no less than \$3,000,000,000 for freights, while their mercantile marine dwindled into insignificance.”

SUBSIDIES AND SUBVENTIONS OF VARIOUS COUNTRIES

Austria	1910	\$4,101,455
Hungary	1910	782,190
Belgium	1912	59,345
Brazil	1911	1,475,000
Bulgaria	1912	69,000
Chili	1910	176,130
Denmark	1913	100,830
France	1911	18,880,760
Germany — Additional Special Grants and Privileges	1910	1,750,000
Greece	1910	80,035

NATIONAL ISSUES OF 1916

Italy	1912	\$4,068,000
Japan	1911	7,001,375
Mexico	1911	540,163
Netherlands	1910	542,185
Norway	1911	480,830
Peru	1911	150,000
Portugal . . . . .	. . . . .	. . . . .
Russia	1912	3,961,585
Spain	1911	146,685
Great Britain and Colonies	1913	9,689,384
		\$54,053,952

BRITISH LOANS TO STEAMSHIP LINES

When Great Britain fails to achieve the desired purpose through subsidies and subventions she resorts to loans to steamship lines.

Twelve years ago Great Britain loaned to the British Cunard Steamship Company \$13,000,000 at two and three-fourths per cent interest for twenty years to enable that company to build the steamships "Lusitania" and "Mauretania," at the same time granting admiralty and mail subsidies for twenty years to the company at the annual rate of \$1,090,000, and she stipulated that the ships must be "built in the United Kingdom." This was because of the possibility of the ships being "made in Germany," since the Germans can now build ships as cheaply as the British, if, indeed, they are not able to build them more cheaply. Thus the fallacy, the inconsistency and the hypocrisy of the British "free ship" pretense was exposed by her own government!

MAIL SUBSIDIES IN UNITED STATES

Strange as it may seem, the United States was the first to propose a subsidy for ocean mail, a bill having

AN AMERICAN MERCHANT MARINE

passed the Senate in 1820 to enable the ocean steamship company of New York to begin that service. But the first act of Congress relating to ocean mail was passed July 2, 1836. This was for coastwise service and was one year before British steamships ran from Falmouth to Gibraltar.

From 1836 down to 1891 we passed nineteen different subsidy or subvention acts.

Act of July 2, 1836, Providing for service by sea	President Jackson
Act of March 3, 1845, Providing for mail and naval steamers	“ Tyler
Act of March 3, 1847, Mail system extended	“ Polk
Act of July 10, 1848, Provision under Secretary of Navy	“ Polk
Act of March 3, 1851, Provisions under P. M. G. regulations	“ Fillmore
Act of July 21, 1852, Increased service with limitations	“ Fillmore
Act of July 5, 1854, Restrictions	“ Pierce
Act of March 3, 1855, Reduction in amount	“ Pierce
Act of June 14, 1858, <i>Abrogation of 10-year contract clause</i>	“ Buchanan
Act of October 1, 1859, Notice of <i>complete abrogation of contracts</i>	“ Buchanan
Act of June 15, 1860, “Privilege” postage to American ships	“ Buchanan
Act of February 10, 1861, Temporary service	“ Buchanan
Act of May 28, 1864, Brazil line contract (subsidy)	“ Lincoln
Act of February 17, 1865, China line (P. M. S. Co.)	“ Lincoln
Act of February 18, 1867, Provisions relating to service	“ Johnson
Act of March 2, 1867, Provisions of service	“ Johnson

NATIONAL ISSUES OF 1916

Act of June 1, 1872, Increase of pay, China contract.....	President Grant
Act of March 3, 1875, Abrogation, complete, of contract (cause, <i>corrupt lobbying</i>)	“ Grant
Act of February 27, 1891, General postal subsidy act.....	“ Harrison

W. H. Bates, former Commissioner of Navigation, in his work, “American Navigation,” says:

“Owing to the drifting course of our Government our taxes are turned to the support of *foreign* mail lines—practically, we help pay their subsidies. We are bound to do this if we have no mail lines of our own. From a table of subsidies and payments for ocean mail service by Great Britain and the United States several facts appear. First. That Great Britain almost doubled her subsidies on the establishment of the early American lines. Upon the appearance of opposition in Congress to the further subsidizing of lines, the British stopped enlarging appropriations, and even ventured to decrease them. Second. After the repeal of our first subsidy acts Great Britain lightened up considerably on payments, being able to do this without damage to her lines, since much of the support withdrawn by Congress from our own lines, to their ruin, was turned over to the British. Third. After the Civil War, when Congress again undertook to support a few steamers in the postal service, Great Britain for the second time enlarged her subsidies until, again, opposition to a subsidy policy developed in Congress, when she ventured a second time to reduce appropriations; reducing still further on the second repeal of our acts. When, as before, a large part of the support withdrawn from our lines, causing their ruin, was straightway turned over to the British—to pay them for carrying our mails. From 1868 to 1877 we paid only twenty-eight per cent of cost of our ocean mail service to foreign steamers; but from 1878 to 1891 the contribution of the Treasury was an average of eighty-one per cent. This ratio was exceeded only during the Civil War, when foreign lines got eighty-three per cent. Until 1858, after Congress broke up the subsidy system, there were no mail payments to foreign

AN AMERICAN MERCHANT MARINE

steamers. Since the war the average percentage has been over *fifty*; and the proportion of the sum received by British lines from the American Treasury has been about *ten per cent* of total postal aid.

“These facts should not be quoted to support an abuse of subsidy. We should have our proper ocean post, as the original acts of 1845-1847 outlined the system as ‘Mail and Naval Steamers.’ With trade regulations assisting, the support required will be moderate. The present law provides pay enough for some routes, but pay enough should be provided for all, and the government find its reward in the naval uses of the fleets. Either this, or the Navy should set its cruisers into the postal business.

“Consider for a moment what we have been doing—simply because our statesmen have done nothing. The American people have *paid* for all the shipping engaged in carrying on American commerce, and in carrying the ocean mails, but they do *not own it*—only a small fraction of it belongs to them. Not only does the trade pay for the tonnage, but it makes wealth and builds up power for those engaged in it. The practical question is, *shall we own the shipping and the steam lines that our trade pays for?* And can we supply the *statesmanship* that shall make the flag of ownership our own—otherwise than under the provisions of the Constitution?”

POWER OF UNDERWRITING

However specific and effective the subsidies and subventions of Great Britain have been in eliminating our merchant marine, the power of her underwriting monopoly,—“The Society of Lloyds Register of British and Foreign Shipping,”—is the all-pervading, most subtle and overwhelming force that has been put in motion for the complete annihilation of American overseas shipping. It was organized in 1834 and its directors consist of ship-owners, merchants and underwriters of Lloyds Exchange, London. Eight persons of each class constitute the Board of Directors.

NATIONAL ISSUES OF 1916

The practical monopoly of ship inspection, classification of rating, registration of character and sea insurance of hulls, cargoes and freights,—in fact everything that is involved in navigation being in the hands of the English, it must be admitted that American overseas shipping is absolutely under the influence, control and interdiction of our British competitors.

They begin their deadly work in the first instance by making the duty and inspection rules and fixing the insurance rates as the preliminary and forerunner of their ultimate purpose.

In the outset:

“It was not that British underwriters wanted to insure the hulls of American ships that Lloyds inspection and classification was proffered to any visiting a British port. It was rare, indeed, that a British policy covered an American hull. The purpose was to mark the American ship with *inferiority* in the register, thereby to prevent ready employment and full rates of freight. And yet, in order to get cargoes that were bound to be covered by British insurance, it was necessary to hold a class of some grade in Lloyds Register. This was not the free freighting agreed for in the London Convention of 1815 and 1828, or in the act opening the West Indies, which were virtually evaded. And previous to 1854, only foreign vessels trading to Great Britain could get inspection for Lloyds book, sometimes styled the ‘Book of Life.’

“Who has not heard of the open war of Lloyds upon American ships? A discrimination against the wooden sailing-ship would, of course, result in the extinction of American shipping power. Destroy the character of the wooden ship, and our navigation was doomed, should we find it too expensive to build of metal. With protection we could have done so, but we were bound to non-protection.

“The insurance rate on cargoes in British iron ships was 2 per cent. On cargoes in American wooden ships, however, the rates ranged from 2.5 to 2.75 per cent or more; whereas

AN AMERICAN MERCHANT MARINE

on the average ship, from a fair computation and full account of all cargo losses on passage, the average premium rate should not have exceeded 1.4 per cent. Doubling the equitable rate of insurance necessarily reduced the number of engagements and the rate of freight. American ships outsailed British, but often it happened that British could get and deliver *three* cargoes while American could get and deliver *but two*, and at much lower rates of carriage. This peculiar warfare, continuing for years, could not result otherwise than in driving our shipping out of employment. Last year there were but *three* American sailings out of 357 total. Our uninformed people, our statesmen and our Administrations have assumed that our superior ships were inferior to British *in natural competing power*, and their failure could not be helped, but the place where they failed was not on the ocean in the performance of duty, but before the partial bar of Lloyds, and in the halls of Congress.

“... Ship-building is a military art. The nation that would rank and rule the world *must build her own ships of her own materials* at whatever cost. This, Egypt, Carthage, Spain, and Holland could not do. Without this key to sea power, when they fell, they could not rise. The Americans were already building 40 per cent of the new tonnage used by British owners. Britain’s true policy, it can be plainly seen, was to encourage, protect and perfect metal ship-building, and even to condemn wooden, trusting that wooden ship-building nations would sleep while she worked. But what was our policy? Or did we have any? Apparently, our government thought England was loyal to ‘reciprocity’—doing nothing to promote navigation.

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“For six years following 1870 our vessels, virtually excluded from Lloyds Register, were degraded and decried for British or even American employment with cargoes to British ports. It was even attempted to make owners of cargoes believe that the articles would bring a higher price in British markets if unloaded from a British ship.”

United States Consul Morey, stationed at Ceylon, wrote our government as follows:

NATIONAL ISSUES OF 1916

“To my knowledge, for a period of twelve years, and in a great measure even to the present day, beautiful and staunch American vessels have been unemployed in foreign ports, or accepted of freights too low to much more than pay expenses, while rank old foreign crafts, just at the tail-end of a high class and prone to damaging their cargoes, have loaded for the United States at high rates with cargo bought with American money on American orders, and simply on the plea that, being classed at Lloyds, the rates of insurance were largely in their favor.”

In his “History of American Shipping,” 1884, Mr. Charles S. Hill makes the following statement with regard to the “City of Peking’s” punishment for being American-built:

“The grand American ship, the ‘City of Peking,’ was so misrepresented and vilified by British Lloyds agents in Asiatic ports that her owners were forced at Hong Kong to the expense of docking, etc., when there was nothing found to justify the action but rivalry and prejudice. [This was at the end of her first trip over.] The writer is personally aware that insurance was then cabled from American insurance houses and the confidence of shippers restored. The blackmailing process, however, did great harm at the time, although she is today the peer of any ocean steamship. *It is this defamation in rivalry that drives freight from American ships. . . .* Lloyds agents are the officially patronized agents of the British Government, such agents very generally being the regular consular corps of the United Kingdom, as, in fact, paragraph 20 of British Consular Regulations directs that their consuls act in such capacity.”

COMBINATIONS OR TRUSTS

June 1, 1891, a “Wheat Tariff Association” was formed. It was an “Underwriters’ Trust,” and its object was to drive out of employment the American Fleet still clinging to the Pacific Coast Grain Trade.

AN AMERICAN MERCHANT MARINE

Twenty-five years ago our ships made over one hundred voyages annually in this trade,—now none.

Mr. Bates, in "American Navigation," says:

"On July 14, 1892, the author noted the following facts: In 201 days not a single American ship with grain or flour had sailed from San Francisco to Europe, while in the same time 75 foreign ships (64 British), with full cargoes, had gone their way exulting. But one American bark sailed from Portland or Tacoma in the grain trade in 240 days, while 84 foreign ships (74 British) cleared in the same time. So the British ban did its deadly work, and the demand for our shipping came to an end."

It is against such a persecution that American shipping needs protection. Such foreign corporations should cease to do business in these United States.

The secretary of the California Insurance Company wrote to our Commissioner of Navigation at Washington in 1891 as follows:

"You will no doubt be surprised to learn that American insurance companies are tabooed by the Liverpool Corn Exchange from underwriting on our grain exports to Europe, whether by American or foreign vessels. With the view of protecting their own insurance companies the rule of the Exchange is that these cargoes must be insured by standard English companies. Some years back, three of our local companies deposited with English banks at Liverpool the sum of \$150,000, which we arranged to keep good at all times, for the better protection of their policy-holders in Europe, but our friends who favored American capital were forced to go over to the enemy, as, to sell their shipments, their Liverpool representatives were compelled to take out insurance thereon in English companies, as our policies were positively refused, as not being the required protection."

I have now traced the methods, the devices, and the practices of Great Britain and made up the record of their subtle, far-reaching and devious course of the underwriting cabal at London, and demonstrated that

NATIONAL ISSUES OF 1916

when you include the British Consul, who is generally, indeed wherever possible, a representative of Lloyds, and all the other British connections,—mercantile and banking,—girdling the globe in every combination of influences and potential factors, you have a machine that can and has completely annihilated our overseas tradé. Taken together, they all constitute a gigantic conspiracy to destroy a legitimate competitor, and yet we complacently submit to it.

LLOYDS IN AMERICA

But evidently their work of demolition is not complete, for today Secretary Scott, of the British Lloyds Register of Shipping, is in New York for the express purpose of securing the appointment of a committee of American ship-builders, ship-owners, underwriters and merchants to represent the Lloyds Register in this country and supervise its American business, all, however, to be in strict accord with the decrees of the home office in London. In other words, all American ship-building is to come under the domination of the British Lloyds, if possible, and all our marine insurance is to be poured into the coffers of the British marine insurance companies. What other advantages they expect to gain, or what their ultimate purpose actually is, we shall not discover until it is revealed to us through some new and surprising complication that will forge still stronger chains for our certain and perpetual enslavement to British interests.

INTERNATIONAL SHIPPING TRUSTS

Writing from London on the "Growth of combinations in British Industries," Mr. F. C. Chappell, a noted economist, says:

AN AMERICAN MERCHANT MARINE

“Ocean traffic is controlled by conferences and agreements between the rival concerns only in this respect. The conferences are quite international and include British, French, German and Dutch ship-owners. The principal shipping companies allow rebate of five per cent upwards to customers using their lines, and this calculated over a trade of six months holds the merchants under control, because the latter cannot afford to lose that sum, while new lines are starved out or bought up. Of course, rates are arranged so as to make the business profitable to the ship-owners.”

It was stated openly in Parliament that the “Shipping Federation,” which was the greatest combine for ship protection, embraces four-fifths of the total shipping of the United Kingdom. The object of this organization is to command the field of ship employment, and at the same time the maintenance of freight rates.

One can only imagine, for he cannot fathom, how powerful it actually is in determining both employment and rates.

Mr. A. C. Laut, in the *Century Magazine*, said:

“All rates of United States foreign commerce are determined in London and Berlin by foreign pools outside the jurisdiction of American law. These foreign pools maintain what is called ‘a fighting fleet’ to undercut rivals and drive independents off the sea. Secret rebates woo away shippers from independents. Virtually every independent has been driven off the sea in the last ten years, and the increase in cargo rates on American commerce has been described as extortionate. Since the independents have been driven off the sea, rates have gone up two and three hundred per cent. For instance, when the big wheat and cotton crops of 1912-13 came, rates were readjusted thus:

New York to Liverpool:	1910	1912	1913
Grain	0.03	0.07	0.10
Cotton	0.12	0.30	0.45

“Instead of the grower reaping the profit of larger crops, the foreign carrier exacted it in trebled tribute.

NATIONAL ISSUES OF 1916

“Why not let the cheapest carriers take the freight? Because since the foreign pools with rebates and fighting fleets ran independents off the sea, there are no more cheap carriers. As steamship managers and exporters both testified, rates have been shoved up from two hundred to four hundred per cent in two years, which the managers described as ‘gradual,’ and the exporters as ‘extortionate.’ Why not let these other nations act as our burden-bearers? Because when the burden-bearer, like a taxicab meter gone wrong, exacts tribute equal to half a year’s grain crop, or three times a year’s gold crop, that burden-bearer costs too much.”

Note what Hon. William E. Humphrey, a profound student of this great question, said on the floor of Congress:

“On the Pacific Ocean all the foreign vessels are formed into combines and conferences, the same as they are on the Atlantic. All agree on freight rates. There is absolutely no competition. All of them give rebates and other advantages to their patrons. The Japanese, English and German lines are the principal shipping interests in the conference on this ocean.

“The Japanese lines seem to largely control the conferences on the Pacific as the German lines control the conferences on the Atlantic.”

Again, speaking of the “Sailing-Ship Owners’ International Union,” he said:

“On the Pacific Ocean there is also a combination or conference of the sailing-vessels of England, France, and Germany, representing practically all the sail tonnage on the Pacific Ocean. This conference is known as the ‘Sailing-Ship Owners’ International Union.’ The purpose of this combination, as declared in its rules, is to raise freight rates from the Pacific coast of America to Europe. No attempt is made to control the rate from Europe to America. This combination has succeeded in its purpose, for, since it was formed about five years ago, it has increased freight rates from the Pacific

AN AMERICAN MERCHANT MARINE

ports of this country to Europe more than five hundred per cent. . . .

“To give you an illustration: Last summer ships belonging to this combine came from Europe to Seattle carrying a cargo for \$1.25 per ton. These same ships refused to take a return cargo over the same course for less than \$6.90 per ton. Failing to get a cargo at this price, they sailed away in ballast. They were compelled to do this, for that was the minimum price fixed by the conferences; and if they had carried a cargo for any less, they would have been subject to a fine of 5 shillings per ton upon the dead-weight capacity of the vessel. When this combination was formed they were carrying wheat from Seattle to Liverpool for \$1.25 per ton. They immediately raised it to \$5.62 per ton, and recently to \$6.90. . . .

“Here is the published evidence in the report of this royal commission, complete and undisputed, given by the parties who have practised these discriminations.

“It is natural that these discriminations should be practised. We have no one to blame but ourselves that these things are done. That we patiently permit these discriminations against our country is a national disgrace, a reflection on the patriotism and the intelligence of Congress. . . .

“The Hamburg-American Line has a one-third reduction of freight received from 20,000 miles of government-owned railroad in Germany. This line has the influence and the wealth of the German Government back of it. It stands for the German Empire. The German Emperor is reputed to be a heavy stockholder in this company. The Hamburg-American is the favored child of the German Empire. Why should this great monopoly, that absolutely dictates the freight rates on the entire Atlantic Ocean, have a direct subsidy paid to it by the German Government? One of its subsidiary companies, however, the North-German Lloyd, does receive a direct subsidy from the German Government of \$1,385,000 a year for its East-Indian and Australian service alone.

“If this giant monopoly is losing money, all it has to do is increase freight rates on the commerce of this country. This it has done and is doing. The earnings of this mightiest of all monopolies is probably not less than 25 per cent annually. This vast tribute to make this vast profit comes mostly from

NATIONAL ISSUES OF 1916

the American people. The ingenuity of man cannot invent a reason why an absolute monopoly that absolutely controls more than half the commerce of the world should be paid a direct subsidy.

“The head of this world-wide trust is Herr Ballin, by common consent the most influential man in Germany, excepting only the Emperor himself. Herr Ballin today sits in Germany and absolutely fixes the price that the American merchant, the American manufacturer and the American farmer must pay on every pound of freight he sends to Europe or to South America. He absolutely dictates the amount of money that any American citizen must pay to visit Europe or to visit South America.

“Herr Ballin and Herr Boas, the general manager of this company in this country, have frequently, through the American newspapers, denounced the efforts made by the American Congress to do something to assist in building up our merchant marine. Herr Ballin came to this country a few years ago and made a speech to American business men in New York City, insisting that America should permit Germany to carry her commerce on the seas. He and his New York representative, Mr. Boas, have attacked and denounced any legislation looking to the upbuilding of our merchant marine. They have opposed the ocean mail act of the majority and the discriminatory duty plan of the minority.

“The hired representative of Herr Ballin and his interests is here in Washington today on the staff of the Associated Press, the greatest news-gathering agent in the world. This gentleman's name is Mr. J. J. Wilbur, and when you remember how close the German merchant marine is to the German navy, it is at least suggestive that this representative of this giant foreign steamship trust should also be the representative of the Associated Press assigned to our State, War, and Navy departments.

“When he was on the witness-stand the other day, he refused to testify as to the amount of money that he was being paid for this service. The next day after that Mr. Boas, of New York, was upon the witness-stand, and he testified that Mr. Wilbur's compensation was \$3,000 a year. What does he do? What are the services that he renders this company?

AN AMERICAN MERCHANT MARINE

“This is the Herr Ballin whose company voluntarily withdrew two of its fastest and best ships and sold them to Spain to sink, burn and destroy American commerce.

“This is the man and this is the company that today absolutely dictate how and on what terms this great nation shall transport \$3,500,000,000 worth of commerce annually. This is the man whose company, when sued by American citizens for rebating and pooling and combining to destroy competition, answered that his was a foreign corporation, and he would do as he desired.

“All this is done so far without complaint and without protest on our part, and this while the whole country is filled with the sound and fury of the verbal battle to exterminate comparatively small trusts and combines at home.

“No wonder that we are today, in our trade relations with other nations, considered as the blind and strutting fool of the world.” (Applause.)

UNDISPUTED PROPOSITIONS

“The following propositions I challenge any man to deny or refute:

“First. That 90 per cent of our commerce is carried by a giant monopoly composed of foreign ships, among which there is not the slightest competition.

“Second. That these lines constitute a complete monopoly of the sea, and that these lines are, each and all, pledged to stand together to destroy any competitive line that may attempt to enter the field.

“Third. That there is not a regular line of foreign vessels carrying our commerce but what is in a trust, conference, or pool that agrees on freight rates and gives rebates or other preferences.

“Fourth. That there is not a single foreign vessel engaged in carrying our commerce but what discriminates against products of this country whenever and wherever these products compete with the products of the country whose flag the vessel flies.

“Fifth. That the service between this country and South

NATIONAL ISSUES OF 1916

American ports is grossly inadequate and grossly discriminatory against this country in favor of the countries of Europe.

"Sixth. That there is not a line of foreign vessels engaged in carrying our commerce on either ocean but what gives special rates and other preferences to the Standard Oil Company, the Steel Trust, and the Harvester Combine.

"Seventh. That these combinations dictate freight rates to and from interior points, and that they dictate the ports through which interior freight shall pass.

"Eighth. That many of the lines in these combinations, trusts and conferences have large property holdings in this country, consisting of terminals and other property, and are represented in this country by local agents.

"Ninth. That many of the lines in these combines are receiving subsidies and other assistance from their governments and are performing government functions and form part of the naval auxiliaries of the various nations.

"Tenth. That there is a combination between transcontinental railways of this country and Japanese steamship lines that fix the rate on Oriental freight, both on land and on sea.

"These are the facts, today admitted by all and known by all who have given the matter attention. So well are these facts known by the other nations of the world that they do not even excite comment.

"The fact that these things have never been fully published in the press of this country is one of the highest tributes to the power and influence of these great combinations. What method they have used to suppress these facts is something that so far has not been made public. Let me repeat that I stand ready to furnish evidence to establish each statement I have made."

DIFFICULTIES SUMMARIZED

First. Foreign countries are subsidizing their shipping interests to the extent of more than \$54,000,000 per annum.

Second. The society of "Lloyds Register of British and Foreign Shipping" virtually classifies and rates all

AN AMERICAN MERCHANT MARINE

the ships of the world. British consuls, wherever possible, act as agents for Lloyds. British underwriters, British merchants and British bankers compass, pervade and circle the commercial globe; and all are united and working for one common end,—the complete control of the world's shipping.

Third. The trusts or combinations in special lines of business, because favored with rebates and various kinds of favors, are "heeling" for England, Germany and Japan.

Fourth. The international combination of the world's shipping interests, all combined, threaten to force from us the humiliating and begrudged tribute of a subject people.

Confronted with these overwhelming and almost tragic facts, no one can wonder that American shipping has been eliminated from the world's ocean commerce.

THE REMEDY

Under the acts of 1815, 1824, 1828 and 1830 we have entered into certain conventions, in a few instances treaties with various countries, the object of which was in all cases to do business with the respective countries upon absolutely equal terms and reciprocal relations,—that is the two countries were to be accorded the same privileges in the ports of each other, to the end that neither country would be favored beyond such natural advantages as it might possess. In other words, we established the relation of reciprocal free trade.

It must be clear, and therefore it must be admitted, that the payment of subsidies and subventions by any country to its shipping interests at once destroyed the mutuality of the arrangement and justified the abrogation of the conventions or treaty.

But if the mere payment of subsidies and subventions

were in contravention of these treaty or convention agreements and the violation of the spirit and purpose of them, certainly the practices of the Lloyds already described and the trusts and international agreements of shipping lines are a thousandfold more so.

However, it was not essential that anything should be done by either party to justify the abrogation of these conventions and treaties by the other, for all of them could be terminated at the will of either party within a time specified and without cause. It was only necessary for either party to decide that the arrangement was unsatisfactory and notify the other party of its conclusion.

It has been demonstrated beyond all possible doubt, I think, that these reciprocal free-trade agreements have proved most unsatisfactory because disastrous to American shipping; for, as clearly shown, our Merchant Marine has gradually disappeared until there is only a disgraceful and contemptible remnant left, and that this disastrous result has been wholly due to the existence of these reciprocal free-trade conventions. For if we had never entered into them, or if we shall cancel them today without any additional legislative enactment whatever, we would be in identically the same position we were in 1815, when we took our first misstep by passing an act that made these reciprocal free-trade conventions possible.

The remedy therefor is simple,—it is to notify every country with which we have entered into one of these conventions or treaties that it will be terminated in accordance with the time limit, which in nearly every case is one year. At least forty-four out of the fifty-three pending are terminable at the end of the year, while the balance are terminable on notice with one or two exceptions.

It is a most fortunate circumstance that the present Administration, as a result of the lamentable La Follette Bill, has been compelled already to notify these countries

AN AMERICAN MERCHANT MARINE

that this government would modify or terminate all of these conventions in accordance with the terms of that act which has proved fatal to what Pacific shipping we had left.

We are therefore now, or very soon will be, in a position to complete the necessary legislation to anticipate and squarely meet the conditions I have already described.

ACT OF 1794

The Act of 1794 is still upon the statute books, as it has never been repealed and will now serve identically the same purpose it served so successfully in building up our Merchant Marine from a mere shadow until we carried ninety-three per cent of all our imports and eighty-eight per cent of all our exports.

It will be remembered that the act of 1794 provided that upon all goods imported in vessels other than those owned by our own citizens a duty of ten per cent shall be paid.

Certainly no Republican, and certainly no Democrat can lift his voice against this most efficacious and well-tried measure.

In his first annual message, that wisest of all wise men, George Washington, said:

“The advancement of agriculture, *commerce* and manufactures, *by all proper means*, will not, I trust, need recommendation.”

A committee of the Senate, consisting of Rufus King of New York, Ralph Izard of South Carolina, and William Paterson of New Jersey, in their response, said:

“Agriculture, *commerce* and manufactures, forming the basis of the wealth and strength of our confederated Republic, must be the frequent subject of our deliberations, and shall be advanced *by all proper means* in our power.”

NATIONAL ISSUES OF 1916

A committee of the House, consisting of William Smith of South Carolina, George Clymer of Pennsylvania, and John Lawrence, of New York, in their response, by unanimous agreement of the House, said:

“We concur with you in the sentiment that agriculture, *commerce* and manufactures *are entitled to legislative protection*, and that the promotion of science and literature will contribute to the security of a free Government; in the progress of our deliberations we shall not lose sight of objects so worthy of our regard.”

Congress in their first and preceding session had legislated constitutionally for the objects mentioned, but the acts of 1789 were reenacted with amendments in 1790. Thus the promise to the President was redeemed.

The St. Louis Republican Platform of 1896 said:

“The United States has a common interest in the oceans and seas of the world, and should share in the fruits and benefits that arise from occupying them with its vessels.

“Ship-building means ship-owning. The nation that builds ships is always an owner of ships.

“We favor restoring the early American policy of discriminating duties for the upbuilding of our Merchant Marine and the protection of our shipping in the foreign carrying trade.”

In his formal letter accepting the Republican nomination for the Presidency that year William McKinley had the following to say regarding this early American policy of discriminating duties:

“The declaration of the Republican platform in favor of the upbuilding of the Merchant Marine has my hearty approval.

“The policy of discriminating duties in favor of our shipping which prevailed in the early years of our history should be again promptly adopted by Congress and vigorously supported until our prestige and supremacy on the seas is fully attained. We should no longer contribute directly or indirectly

AN AMERICAN MERCHANT MARINE

to the maintenance of the colossal marine of foreign countries, but provide an efficient and complete marine of our own. Now that the American navy is assuming a position commensurate with our importance as a nation, a policy I am glad to observe the Republican platform strongly indorses, we must supplement it with a Merchant Marine that will give us the advantages in both our coastwise and foreign trade that we ought naturally and properly to enjoy. It should be at once a matter of public policy and national pride to repossess this immense and prosperous trade."

The Dingley Law of 1897 reenacted the law of 1794 in these words:

"That a discriminating duty of ten per centum ad valorem, in addition to the duties imposed by law, shall be levied, collected and paid on all goods, wares or merchandise which shall be imported in vessels not of the United States, or which, being the production or manufacture of any foreign country not contiguous to the United States, shall come into the United States from such contiguous country; but this discriminating duty shall not apply to goods, wares or merchandise which shall be imported in vessels not of the United States, entitled at the time of such importation by treaty or convention to be entered in the ports of the United States on payment of the same duties as shall then be payable on goods, wares and merchandise imported in vessels of the United States, nor to such foreign products or manufactures as shall be imported from such contiguous countries in the usual course of strictly retail trade."

William McKinley, in his last speech at Buffalo, said:

"We must encourage our Merchant Marine. We must have more ships. They must be under the American flag, built and manned and owned by Americans. These will not only be profitable in a commercial sense; they will be messengers of peace and amity wherever they go."

In his work on the "Debates of Congress" in regard to regulating our commerce with foreign nations,

NATIONAL ISSUES OF 1916

Thomas H. Benton, a Democratic United States Senator from the State of Missouri for thirty years, thus states his views upon this all-important, this vital question:

“In the House of Representatives, 1794, occurred one of the most interesting and elaborate debates which our Congress has furnished. It grew out of the clause in the Constitution conferring power ‘to regulate commerce with foreign nations,’ and gives the interpretation of its authors, which is *wholly different* in its nature, and *also distinct*, from the power to lay and collect import duties. The latter was to raise revenue, the former to make such discrimination in trade and transportation as to *protect* our merchants and ship-owners from the adverse regulations and devices of our rivals.

“While the lack of power to regulate foreign commerce was a primary defect of the Confederate government, and the necessity for its exercise was so great as to form a chief cause for creating the Federal government, it is singular that Congress has always overlooked it, or confounded it with the impost or revenue power. Though not now exercised, it is a power which *has found* a need for its exercise, and *will find it again.*”

In a report to Congress, giving the views of the Democratic minority members of the Merchant Marine Commission, prepared by the late Senator Stephen R. Mallory, of Florida, one of the ablest admiralty lawyers in the United States, he and the other Democratic members of that commission on January 9, 1905, said in part:

“A return to the discriminating duty policy appears to be generally favored, as shown by the hearings of the Merchant Marine Commission at the most important ports on the Atlantic, Pacific and Gulf coasts and on the Great Lakes. This was the policy of the fathers of the Republic, under which our shipping interests were so marvellously developed in our early history. Under this policy merchant-ships flying the American flag were seen in every important port of the civilized world, and under its fostering care our ships carried more than three-fourths of our exports and imports. Although our business has increased so wonderfully that we are now the

AN AMERICAN MERCHANT MARINE

largest exporting nation in the world, with corresponding imports, only eight or ten per cent of our foreign carrying is done in American bottoms."

On January 18, 1906, Senator Mallory said upon the floor of the Senate:

"I have sufficient confidence, Mr. President, in the people of the United States to have no hesitation whatever in believing that they would sustain me in voting to put any of those articles which are now on the free list on the dutiable list if the object to be accomplished is the building up of the Merchant Marine. It is a patriotic object. It is one which every man who has the welfare and good name and honor and glory of his country at heart will approve; and I have no hesitation at all in committing myself to the principle that if it is necessary, or if it will result in building up the Merchant Marine for the United States, it is my duty to put on the dutiable list such articles now on the free list as will be necessary to effect that purpose.

"Now, I take the item of coffee from Brazil. We import all that coffee free. The importations amount to 445,480 long tons. At one-tenth cent per pound that would amount to \$997,896, which would give the shipmasters an opportunity to get a cargo in Rio Janeiro or in all the ports of Brazil at a rate of \$2.24 per ton less freight than a foreign competitor. In other words, an American ship with one-tenth cent per pound on coffee would have an advantage over the foreigner on a cargo from Rio Janeiro to the United States of \$2,240 per 1,000 tons."

Mr. Clark, of Missouri, interrupting Mr. Humphrey, of the State of Washington, said:

"I do not want to interrupt your speech, but I will tell you what I do know: That by just exactly that proposition we built up the second greatest Merchant Marine there ever was on the high seas, and we can do it again."

Hon. Oscar W. Underwood, of Alabama, speaking in the House of Representatives, February 26, 1910, said:

NATIONAL ISSUES OF 1916

"We believe in the upbuilding of the American Merchant Marine, without new or additional burdens upon the people and without bounties from the Public Treasury.

"Thus spoke the representatives of the Democratic voters of the United States in the convention at Denver, Colo., in 1908, when they gave to the country as the exponent of their faith the national Democratic platform.

"Shall the Representatives in Congress, holding allegiance to the Democratic Party keep the faith and redeem the pledge? If so, how can the upbuilding of the American Merchant Marine be accomplished without new or additional burdens upon the people and without bounties from the Public Treasury? Let us follow in the footsteps of the fathers of our party and we will find the way.

"These discriminating duties in favor of the American ship and the upbuilding of our foreign commerce were advocated, proposed and enacted into law by the founders of the Democratic Party. Our statesmen advocated the enactment of this legislation both as a matter of principle and as good business and governmental policy. *The wisdom of their laws was demonstrated by the results obtained.*"

ENGLAND AND AMERICA NATURAL RIVALS

Lord Robert Cecil, who became Lord Salisbury, and Prime Minister of England, said, in 1862:

"Every one who watches the current of history must know that the Northern States of America never can be our true friends, for this simple reason: Not merely because the newspapers write at each other, or that there are prejudices on both sides, but because we are rivals—rivals politically, rivals commercially. We aspire to the same position. We both aspire to the government of the seas. We are both manufacturing people, and in every port, as in every court, we are rivals to each other."

Professor Roland G. Usher, author of "Pan-Germany and Pan-America," said:

AN AMERICAN MERCHANT MARINE

“But, as I pointed out before, there will undoubtedly arise after the war, as there has arisen during the war, that precise tangle of interests out of which our previous wars with England grew. That is a fact to be remembered. What we have once felt it worth while to fight about is certainly not impossible as a cause of war again.”

On December 9, 1915, one of our greatest daily newspapers, the Philadelphia “Ledger,” said editorially:

“But the cold truth is that trade has always been a potential, if not an actual, trouble-maker in world politics. It is certain to continue so until the millennium comes or until the ‘federation of the world’ is realized wholly or in part. The expansion of American trade is both desirable and necessary; but if we want trade we must get it and hold it under the recognized rules of the game. Peaceful trade is the meed of those who are prepared to fight for it. Wars are not fought for glory, nor have they been since the brave days of old. Trade, in some aspect, figures directly or remotely as a cause in every modern conflict, and the present war is no exception. The ‘peaceful argosies’ of commerce provide not a mere excuse, but an actual necessity for the dreadnought and the submarine.

The vision of peace is as entrancing as it was in the days of Melchisedec, the king of peace; but it is not much more capable of general realization than it was in that far-off time. The spear and the sword are still essential if the plowshare and the pruning-hook are to continue their humanizing work. So it is that preparedness is a fundamental requisite for the extension of America’s foreign commerce. Trade does not follow the flag—the flag follows trade; and if this nation intends to go forth into competition for world business it must be ready to send the flag, floating over an ample squadron or an efficient army, as the case may be, to protect and foster that trade. By expanding our commerce, particularly by expanding it in backward countries like those of Africa, where ‘spheres of influence’ are being more or less clearly defined, we are pushing deeper and deeper into the regions of that international friction, rooted in trade, which is the immediate basis of war. Trade expansion is and will continue to be in-

NATIONAL ISSUES OF 1916

evitable, and rational preparedness on land and water is the only thing which will keep it from getting us into trouble.”

In his farewell address, Washington said:

“There can be no greater error than to expect or calculate upon real favors from nation to nation. It is an illusion which experience must cure, which a just pride ought to discard.”

On March 29, 1910, when urging the importance of being ready for war, from the standpoint of financial preparedness, I used this language:

“We may cry peace, peace, and that is wise and well; but there will be no absolute guaranty of perpetual peace so long as the surface of this earth is the battle-ground of trade and commerce.

“This very afternoon the United States may be looking out on a clear and peaceful sky. Even so early as tomorrow morning, war clouds may curtain the rising sun, and before nightfall blacken the zenith of the heavens, and hang low and lowering the whole horizon round, presaging the most titanic and wicked struggle in blood that has ever stained the history of the human race.

“Under these circumstances let the United States put its financial house in order.”

At Lake Mohonk on May 20, 1915, General Wood said, “Nine out of ten wars are based on trade.”

Let us remember that Great Britain is essentially a child of the sea, and that for nearly three hundred years she has been the mistress, the unchallenged ruler of the sea.

Nor should we forget that she now carries at least seventy-five per cent of our ocean-commerce and passenger traffic, and that through this one item in her shipping she annually changes what would be a balance of trade against her of nearly \$150,000,000 into a balance in her favor of an equal amount. Is it possible that she will yield so great a stake in her financial affairs without a struggle,—indeed without a diplomatic fight, at least,

AN AMERICAN MERCHANT MARINE

when at last it is borne in upon her that we insist upon carrying our own goods to market and upon bringing back what our own markets demand?

Let us not deceive ourselves. Was the statement of Lord Salisbury any more than a candid statement of the facts as they then existed, as they exist today, and, all sentiment aside, as they must continue to exist forever so long as the surface of this earth is the battleground of trade and commerce?

JAPAN'S FUTURE PLACE IN THE COMMERCE OF THE WORLD

Prof. Masao Kambe, of Kyoto Imperial University, wrote, in the "Japan Magazine" of Tokio, as follows:

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"The higher a nation rises the more conspicuous a target does it become and the more violently will the storms of international jealousy beat about its head. Japan must be careful lest she become the envy of the white nations, among whom it is only necessary to be strong in order to excite jealous rivalry. In the case of a yellow nation the jealousy of the West would be only all the more fierce.

"Even the nations that have entertained the most friendly feelings for Japan will come to hate and fear her if she comes into any inordinate degree of prominence. Many of Japan's present friends are such only because it is advantageous to them, and on these, of course, she cannot depend. And now a new enemy has been added to the list in the person of Germany.

"Germany may indeed enter into friendly relations with Japan after this war, but we can rest assured that it will be only a temporary convenience to both sides. In the opinion of many the fact of having created a new enemy in the all-powerful Germany is sufficient to nullify all Japan's gains in the war. Now that the thing is done it cannot be undone; and all Japan can do is to prepare to meet even the mightiest that may attack her, so as to avert the catastrophe.

"Some regard the extraordinary activity of the Okuma

NATIONAL ISSUES OF 1916

Cabinet in expanding army and navy as unnecessary, but they little understand the situation. In the final issue it is the nation that is responsible. A Cabinet may escape the result of its errors by resigning, but a nation cannot resign.

"A nation must be wise enough to supervise the acts of its Ministers of State and see that they make no mistakes or lead the nation into danger. Such mistakes as happened in connection with the negotiations at Peking would not have occurred had we been a people able to oversee what our officials were about.

"The main thing is to make the nation strong; for a powerful nation need fear nothing. . . .

"All depends on the nation itself, how it can accumulate and conserve its power. Our worst enemy is always within.

"If Japan is to meet the responsibilities that the outcome of this war will thrust upon her she will need all the power she has, and more, too. To maintain her position it will be necessary for her to imitate Germany; she must cultivate the spirit of philosophy which the Germans show, a practical philosophy.

"They are a people who know that without power nothing can be done. Right without power to sustain it will go for nothing. It is necessary to have the power to uphold what one believes to be right. In the days when the Germans lacked this power they were trampled underfoot by other nations. But during the last fifty years Germany has been accumulating and hoarding power, so that now she is not afraid to face more than half a dozen great nations. . . .

"Having gained the power, she determined to exert it to gain the position she had lost through lack of it. To do that there was nothing for it but to fight; only thus could her ideals of right and justice be maintained. She is asserting herself with might; and she thinks she is right.

"Now, it should be borne in mind that the foundation of Germany's strength is her education; all her grand organization is due to education; by this she has forced the nation to serve the State and make it great. This is the kind of education we want in Japan. At present we are notoriously individualistic and indifferent to the safety and welfare of the State.

"The Germans not only train the mind and the spirit for

AN AMERICAN MERCHANT MARINE

the State, but the body also. So perfect is their mental and physical education that their youth are always ready for exertion, for war if need be. They are a people who know that there can be no sound mind without a sound body, and they act upon their knowledge. And their system teaches patience, without which nothing great can be accomplished. . . .

“In Germany, therefore, we have a picture of giant power carefully and intelligently built up and proficient. In the present war Germany may have lost the sympathy of the world, but no one has any doubt of her strength; all can appreciate the greatness of her power! With such marvelous resources she will soon recuperate after the war; and, as has been suggested, may be friendly to Japan for a time, as convenience serves; but she is a power with which Japan has to reckon. Who can say that some day she will not unite with Russia or America against Japan?

“At any rate, it is our duty to be prepared for any such emergency. Japan must not waste her time and energy by internecine dispute and strife, but proceed to get into a position where she can make her own necessities and be independent of foreign countries. She must be able to supply the demands of the South Seas and bring them commercially under her sway.

“We cannot do better than follow the German method by relying on ourselves and ceasing to depend on outside assistance. We should strive to create a powerful national spirit and produce citizens with sane minds in robust bodies, regardless of expenditure or hindrance! Then we should utilize our knowledge and strength for military and economic purposes so as to be successful in competition with other countries. Such preparation cannot be left to individuals; it must be a State duty and concern. Japan must be perfectly prepared either for honorable peace or triumphant war.

“There are those imbued with the doctrine of non-resistance who think we should be just as well off as cosmopolitans under a foreign rule. Even if we retain our independence we must yet be prepared to endure ill-treatment from the world. We boast that we are a first-class power; yet we are excluded as undesirables from America; even in Europe the yellow race is not regarded on even terms. If we are so treated while in

NATIONAL ISSUES OF 1916

possession of our country and our independence, what would our treatment be should we lose either or both?

"So it is clear that our only hope among the white races is power; if we are only strong enough, and then only, we can move freely from country to country as convenience serves."

Hon. H. Ijuim, former Minister to China, in the "Japan Magazine" of Tokio, says:

"It is not so long since Japan and Russia were engaged in bloody conflict, blotting out from the pages of history their former friendly intercourse; and it is freely admitted that from a Russian point of view that conflict was inevitable, while Japan considers that she was forced to fight for her own safety, even for the existence of the empire. Thus the two nations felt obliged to wage war against each other; but since the conclusion of peace they have approached each other on even more intimate terms, forgetting all enmity and concluding important agreements.

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"China is at present a great market where the whole world is in competition. All other nations, as well as Japan and Russia, are deeply interested.

"But as Russia has thousands of miles of frontier bordering on China she must necessarily have the greater interests in that country, and Japan, being also adjacent to China, must have almost equal interests. Indeed, Japan regards her very existence as wrapped up in the Chinese problem, and in connection therewith she is prepared to make any sacrifice necessary.

"It was this question that caused the war with Russia, and all the agreements which Japan has concluded with Russia have been in relation to that all-important problem. *Thus the two countries thoroughly understand each other in relation to China.*

"At present, while the war in Europe continues, Western powers may seem to be taking little or no interest in the Chinese question, but after the war is over their ambitions for a share in Chinese commerce will revive; *and if they should not agree, that is, if any of the powers should break away from*

AN AMERICAN MERCHANT MARINE

the others in relation to the Chinese question, a second international war would be certain to ensue. It is, therefore, most important that Japan and Russia should maintain their present cordial relations and be ready to face any emergency that may arise in relation to the Chinese question.

“Indeed their policy may have much to do with maintaining peace after the European War is ended. *Nations will fight to prevent calamity, but some of them will fight quicker to maintain commerce; and this renders the Chinese question a very delicate one.* Whether there comes a war of arms or not, there is certain to be a peaceful war of commercial competition in China. In this struggle for commercial supremacy some nations must inevitably take an inferior position, leading to bitter dissatisfaction and danger, as they behold the prosperity of the conqueror.

“Now the Japanese, while they have little fear of competitors in arms, are not so sure of themselves when it comes to the peaceful competition of commerce; and if they are defeated in the war of peace, how will they take it? What Japan must do, therefore, is to make every preparation to insure her victory in the competition of commerce.

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“What Japan must do, I repeat, is to keep the Anglo-Japanese alliance secure; and while an alliance with Russia is in no sense incompatible with the Anglo-Japanese alliance, it might be better to wait for more light; and then, if such an alliance is formally concluded, care should be duly taken to see that it in no way militates against the alliance with Great Britain.”

S. Tokutomi, editor of the “Kokumin,” in February of this year, wrote as follows:

“In speculating about the future, bearing in mind what has occurred in the past, my brain is always cudgeled with the question: Which side will England take in the event of a war between Japan and America?”

“This may be a delicate question to ask, but nothing is more important than this problem, which remains for the Japanese to solve.

Count Okuma, Premier of Japan, says, "To know one's enemy and to know one's self is a strategical maxim that should always be acted upon."

"The Japan Magazine," referring editorially to the Count's statement in the issue for September, 1914, said:

"Evidently the Premier regards the enemy as somewhere located in the West, for he says that the apparent enmity between East and West has its roots in the arrogant conviction of Western nations that Asiatics are inferior and to be made the easy victim of Western aggression.

"He admits that the higher civilization must always invade and overcome the lower; but he contends that the West received its civilization from the East and by this means was able to turn the tide of Oriental aggression westward. The Western people made better use of the civilization handed on to them, and they have triumphed, defeating the Orient with its own weapons.

"But this superiority of the Occident to the Orient is only about four centuries old. When the Orient makes proper use of its civilization it will again come into its own. In this great work Japan must take her place.

"She is at present cleaning house in preparation."

Dr. Toyokichi Iyenaga, the official news representative of the Japanese Empire in the United States, uttered the following warning, May 10th of the present year, at the Japanese-American banquet, held at the Hotel Plaza in New York:

"Unless America comes to an understanding of the Japanese viewpoint, I indulge in the prediction that there will be more serious relations between Japan and America than has been caused by the California affair.

It is to be remembered that this warning was uttered while the United States government was definitely reasserting the Hay doctrine at Tokio and Peking as a consequence of Japan's series of demands made upon China.

AN AMERICAN MERCHANT MARINE

Let us remember! Let us not forget, I say, that Japan was about to secure a lease of 700 miles of the Mexican coast, including, *incidentally, of course*, Magdalena Bay, the best harbor on the Pacific coast south of San Francisco.

TWENTY-FIVE YEARS HENCE

Having permitted England to bind our hands behind our backs so tightly that we are now perfectly helpless in ocean commerce on the Atlantic, as if desiring to make the work complete beyond a lingering vestige of a Merchant Marine anywhere on the globe, the Democratic party passed the La Follette Bill. Because of that act alone not a single ship flying the American flag is left on the Pacific Ocean.

Should the present conditions continue for twenty-five years, England will then rule the Atlantic Ocean commerce, and Japan will with equal certainty, and as completely and exclusively, rule the Pacific Ocean commerce.

Japan will then have 100,000,000 people, with possibly half of China under her sway, or 200,000,000 Chinese, or 300,000,000 people in all. Great Britain will, as now, be ruling at least 500,000,000 people.

Possibly Japan will be occupying one-half or all of Mexico within these twenty-five years as a province, unless we are prepared and are not "*too proud to fight*" to defend the Monroe Doctrine. Should it seem more wise for Japan, or become necessary for her to follow this course, she could have at a given time one or two million men located in Mexico, with greater facility and less boldness than she has displayed in placing many thousand trained men in the Hawaiian Islands. About forty per cent of their total population of 191,909 is Japanese. There are 79,675 Japanese in the Hawaiian

Islands and only 44,000 Caucasians. *Is it possible that so inordinate a number of this one nation is there by mere accident?*

Ten thousand, possibly one hundred thousand spies could be located at every vital bridge and tunnel in the United States, including the Panama Canal with the proper means of putting them all out of commission if it would do any good. When you recall the fact that at least two generals of two different nations, German and Japanese, have written books devoted exclusively to the conquest of the United States, pointing out just how it could be done, these suggested possibilities are far removed from the realm of dreams, and in the light of recent experiences may be set down as subjects for serious thought.

Under these circumstances, are we to sit idly by and permit this transformation to take place? And if it should, is it not possible, is it not probable, is it not certain that if we should then try to extricate ourselves from the domination of either of these two powerful nations it would be impossible for us to do so, and that they would then join hands to compel us to submit, being satisfied only if we should remain a subject people, paying such tribute to our masters on the seas as they saw fit to levy in the form of ocean freights,—one hundred, two hundred, or even five hundred per cent more than we should justly pay?

Can anyone doubt that Great Britain in such an emergency, in such a crisis, would join with Japan for this mutual control of the two oceans? Are these two nations not united today against Germany for identically the same reason here suggested? Can anyone offer a single sensible reason why Great Britain should not unite with Japan in this common cause of ocean commerce?

Under such conditions, what advantages would England contribute? These two nations could land five or ten million men on Canadian soil along four thousand

AN AMERICAN MERCHANT MARINE

miles of our unprotected boundaries to the north. The names of many border cities,—Buffalo, Cleveland, Detroit, Chicago, Minneapolis, St. Paul, Spokane and Seattle,—spring into the mind at once as the first prey of such an invasion. But their capture would not be so significant or serious as the capture of the iron-mines of Michigan, Wisconsin and Minnesota, which lie immediately upon the Canadian border, for from these three States we obtained, in 1913, 52,500,000 tons of iron ore of a total of 61,980,000 produced that year. Less than five per cent of our steel production was not dependent upon these Michigan, Wisconsin, Minnesota and foreign ores. If these mines should be captured, our iron and steel industries would all come to a dead stop. In these days there could be no defense whatever without them.

THE GREATEST LOSERS

Who would be the greatest sufferers? Certainly the producers of grain, cotton and meat,—the farmers of the country.

TREATIES ARE COLD-BLOODED BUSINESS PROPOSITIONS

Let us remember that notwithstanding the isolated instances of cooperation which are based upon enlightened self-interest and humanity, business as a rule is based upon unadulterated selfishness. And, what is more to the point, all international agreements are the coldest kind of business propositions.

Which alliance will *pay best* is the touchstone of all international agreements. Let us remember that England will be our friend just so long as it *will pay her*, and that it will pay her to be our friend only if she cannot afford to be our enemy.

NATIONAL ISSUES OF 1916

Let us remember that self-preservation is the first law of nature, and that necessity knows no law.

Let us remember, and note it well, that in international affairs we are dealing with facts and not with fancies,—with things as they actually are and not as we might wish them to be.

If the United States desires to be considered seriously by Great Britain as her ally, as her partner, in the affairs of the world, the United States must be so powerful, so efficient and so ready to defend her rights that Great Britain fears her and cannot afford to discard her. Men do not hitch up to dead partners, much less do nations. What can you contribute to the combination? That is the vital question.

It is often said that diplomacy is the art of deceit and duplicity. Frederick the Great said:

“While it is well enough for men and women to be truthful in their dealings in private life, for a statesman to permit truth to stand in the way of his gaining a national advantage is treason to that nation.”

Have we not within twelve months seen international law, the recognized rules of war, conventions, treaties, Hague agreements, and the sacred rights of neutral nations all reduced to “mere scraps of paper”?

The national spirit of Switzerland is awake, the national spirit of Japan is awake. The national spirit of Germany is awake; the national spirit of Great Britain was slumbering, but is awakening; the national spirit of the United States is sleeping. God grant that it is not the sleep that knows no awakening; that it is not “the sleep of death.”

Let us remember that right and duty go hand in hand. Let us remember that privilege and responsibility must balance each other in the long run. Let us remember that unless we meet our responsibilities squarely and bravely, our privileges will be taken away from us. Awake, my countrymen, awake to the privileges and

AN AMERICAN MERCHANT MARINE

responsibilities of this nation. The destiny of the whole world is in a measure in our keeping, for if we create and maintain a national spirit and are ever prepared to enforce our righteous will, ours will be the determining factor,—the resultant force that will lead on to equal justice among men. Shall we accept and execute the trust, or shall we deny and betray it?

ACTUAL FACTS CONFRONT US TODAY

On the 1st day of August, 1914, there were in the United States, potentially speaking, between 3,500,000 and 4,000,000 idle men. That is, taking the men who were entirely without employment and those who were working on part time, only one or more days a week, there were in this country between 15,000,000 and 20,000,000 people without the daily means of support.

Today there are in the United States between 2,000,000 and 2,500,000 men employed in the manufacture of war material in some form, and there are engaged, potentially, indirectly, between 3,000,000 and 4,000,000 men in the production of commodities contributory to the supplies and support of those who are involved in the war, or who are working in the manufacture of the materials used in connection with the war.

This country is today on a brandy and champagne drunk from which we will be shocked sober the hour the war ends. We are on a brandy drunk because we are not enjoying the wholesome prosperity that flows from a competitive Protective Tariff, but an actually Prohibitive Tariff in many respects, which will melt away like a handful of snow under an August sun the moment the peace news reaches us. We are on a champagne drunk because we have a prosperity that is wholly artificial to the full extent that the American people are now employed, either directly or indirectly, in the manufacture

NATIONAL ISSUES OF 1916

of war materials, and it will all vanish some day at the stroke of the clock, and somewhere, potentially speaking, between 3,000,000 and 5,000,000 men will be out of work. A financial shock, a national economic tragedy, awaits us that will be without a parallel in the history of the world; but even then it will take from six months to a year after the war is over before the full extent of this catastrophe can be measured.

Certainly within a year, possibly within six months, after the close of the war, the earnings of approximately 5,000,000 men will cease,—that is, from 20,000,000 to 25,000,000 of our people will receive only a partial means of support if our tariff conditions remain as they are today.

The astonishing balance of trade in our favor now exceeding \$1,500,000,000 will within a year after the close of the war not only be wiped out, but will be turned into a balance against us the following year of approximately \$250,000,000.

Notwithstanding the fact that the Secretary of the Treasury has appropriated two specific trust funds,—the national bank-note redemption fund of \$26,681,390, and the disbursing officers' credits of \$58,079,525,—amounting to \$84,760,915, and turned them into the general assets of the Treasury in Democratic fashion,—converting specific liabilities into resources; notwithstanding that this administration has resorted for the first time, when we were at peace, to the income tax, and collected from this source \$41,000,000, and has also collected through a war revenue measure \$90,000,000, as matters now stand, the deficit for 1917 promises to be more than \$100,000,000, which will call for still greater tax burdens,—more extraordinary taxes.

UNDER THESE CIRCUMSTANCES WHAT SHOULD BE DONE

At the close of the Napoleonic wars the imports increased enormously as they certainly will at the close

AN AMERICAN MERCHANT MARINE

of the present war. All foreign countries will pour their manufactured products into the United States; and Germany, shut out from Russia, Italy, France, Great Britain, and all of her colonies, will literally inundate us.

Keeping steadily in view, then, the conditions which must necessarily prevail in Europe after the war ends, the tariff should be revised at once in the interests of the American people,—the American farmer, the American mechanic and the American manufacturer, for the destruction of American manufactures means the destruction of the markets of the American farmer.

We are now collecting nearly \$100,000,000 annually less from our import duties than we did before the passage of the Wilson-Underwood-Simmons Tariff Bill. If due regard is paid to the interests of American agriculture, the American mechanic and manufacturer, the tariff duties ought to be so adjusted at this juncture as to collect at least \$150,000,000 more revenue from our imports than will be collected under the present law; and of this additional \$150,000,000 the foreigner would pay at least \$125,000,000. Is it not better to collect this vast sum from the foreigner for the privilege of doing business in our markets than to collect it from our own people in any form whatever?

ABROGATION OF TREATIES

We should abrogate every convention and every treaty growing out of the acts of 1815, 1828 and 1830, and return to the full operation of the act of 1794, by which ten per cent would be collected upon all goods imported in ships owned by foreigners.

The effect of this step would be twofold:

First. We would collect from foreigners in the outset approximately \$200,000,000 annually in addition to the

NATIONAL ISSUES OF 1916

regular duties. This amount would gradually decrease from year to year as we approached our proper place in the ocean-carrying trade.

These two steps would bring into the Treasury about \$350,000,000, for every dollar of which there will be exigent need for the following purposes: (a) We will need from \$100,000,000 to \$200,000,000 to rescue us from the difficulties, danger and certain bankruptcy into which this Administration is leading us; (b) we will need the balance to build up our Navy, prepare our coast defenses and provide for an adequate Army.

There is a peculiar fitness in compelling foreigners to pay this ten per cent upon imports, because we need the money to prepare to defend ourselves against the possible aggression of foreigners.

Second. The effect of the law of 1794 will be just what it formerly was in building up our Merchant Marine, until we shall practically carry all away we have to sell, and bring back all we want to buy from foreigners for our domestic demand. In other words, we will carry our own goods to market, in our own ships, rather than trust to others to do it for us; and we will bring back in our own ships the supplies our people demand.

While this statement is not technically true it will become substantially true, because our ships in their trips around the world will carry for other nations as much as they lose of our imports and exports.

WHO WILL BE MOST BENEFITED?

The greatest benefit derived directly from the up-building and maintenance of a Merchant Marine adequate to our needs, would be the agricultural classes.

Upon a moment's reflection this must be admitted to be so, for the farmer feeds and clothes the men who mine the iron ore and the coal, the men who make the coke and the pig iron, the men who build the furnaces

AN AMERICAN MERCHANT MARINE

and all the buildings, the men who make structural steel and all the machine tools, the men who build and furnish the ships, and the men who man and operate them. But, more than all that, the farmer will secure an American agent that will give him prompt, interested and jealous attention, and will not show a preference in the delivery of the grain, meat, cotton and other farm products of some other country; and in time of war the farmer will have a way to get to the markets of the world upon reasonable rates, and secure the high prices which war generates.

Next after the farmer, the manufacturer is more interested than any other class, since it is of vast importance that his goods should go to market in the hands of a friendly carrier, and that in times of war he should not be dependent upon a foreign power which has become involved, as the great carrying nations of England and Germany are today.

The merchant who has foreign offices or connections follows closely upon the heels of the manufacturer, as his interests are almost identical with those of the manufacturer.

The American banker who is engaged in foreign trade will suffer far less than any one of these three classes from the want of an American Merchant Marine, for the foreign shipping lines will be just as glad to get his business as any other, and he would not suffer in the same degree as other Americans.

Strange as it may seem and contrary to popular belief, those who are actually the least interested in building up an American Merchant Marine are the ship-owners, for they can buy stock in foreign shipping lines; or, if they desire to be ship-owners, they can sail their ships, as many Americans now do, under foreign flags.

Ship-builders have no interest whatever in a Merchant Marine except as manufacturers, and then only from the standpoint of a profitable business.

NATIONAL ISSUES OF 1916

BUILDING A MERCHANT MARINE

Ship-builders will spring up all along the Atlantic and Pacific coasts, if there should be work for them to do, just as other manufacturers go into business, if they can see a safe margin in the undertaking. They would be in precisely the same position that manufacturers of locomotives, cars, automobiles and farm machinery are. As a matter of business they have no more direct interest in an American Merchant Marine than any other American citizen who is engaged in the manufacturing business. It would simply be a matter of bidding upon the specifications submitted, carrying out such contracts as might be awarded.

As soon as we have adopted a permanent policy of building up an American Merchant Marine competition among the many builders and the standardization of parts in ship-building will reduce the cost of ships of all the various types and classes in the United States to the level of the cost of the English ship-builder, for material is about one-half the cost and labor the other. Materials here and in England would cost about the same. Labor here is fully fifty per cent higher than in England, and therefore under present conditions the cost of a ship is about twenty-five per cent higher here than in England.

The following is a comparative list of wages paid in British and American shipyards.

	Rate of wages paid per week.	
	British.	American.
Pattern-makers.....	\$9.00	\$18.00
Machinists.....	8.50	15.00
Riveters.....	7.50	12.00
Caulkers and chippers.....	7.80	15.00
Beam and angle smith.....	8.40	15.00
Holder-on.....	4.20	9.00
Fitters-up.....	7.80	15.00
Ship carpenters.....	9.60	18.00

AN AMERICAN MERCHANT MARINE

	Rate of wages paid per week.	
	British.	American.
Joiners	\$9.00	\$16.50
Painters	9.60	18.00
Ship-shed machine men	7.20	15.00
Furnace-men	6.00	10.80
Riggers	7.20	11.00
Drillers	6.40	11.00
Sheet-iron workers	8.50	15.00
Coppersmiths	8.60	18.00
Molders, iron	9.00	14.50
Molders, brass	9.00	15.00
Laborers	4.20	8.50

COST OF OPERATION

Wages of Captains under American scale vary according to seniority.

Wages of other officers and the engineers are fixed, being the same on all steamers.

	—British Scale—			—American Scale—				
	£	s.	d.	Average	Immediately after Transfer	Increase P.C.	Present	Inc. P.C.
Captain	25	0	0	(\$121.66)	\$150/180		\$175/205	
					Avg. \$165	35.6	Avg. \$190	56.2
Chief Officer	15	0	0	(\$73.00)	\$90	23.3	\$100	37.0
2d Officer	11	3	4	(\$54.34)	70	28.8	80	47.2
3d Officer	9	0	0	(\$43.80)	60	37.0	70	59.9
Chief Engineer	21	0	0	(\$102.20)	150	46.8	150	46.8
1st Asst. Engineer	15	0	0	(\$73.00)	100	37.0	100	37.0
2d Asst. Engineer	11	3	4	(\$54.34)	90	65.6	90	65.6
3d Asst. Engineer	8	10	0	(\$41.36)	80	93.4	80	93.4
Chief Steward	8	0	0	(\$38.93)	55	41.2	55	41.2
2d Steward	4	0	0	(\$19.47)	25	28.4	25	28.4
Messroom Steward	3	0	0	(\$14.60)	22	50.7	25	71.2
Chief Cook	7	0	0	(\$34.07)	40	17.4	45	31.2
2d Cook	5	0	0	(\$24.33)	25	2.8	25	2.8
Carpenter	7	0	0	(\$34.07)	40	17.4	45	32.1
Boatswain	6	10	0	(\$31.63)	35	10.7	40	26.4
Sailors	5	10	0	(\$26.76)	28	4.6	30	12.1
Firemen	5	10	0	(\$26.76)	32	19.6	35	30.8
Oilers	6	0	0	(\$29.20)	35	19.9	38	30.1
Donkeyman	6	10	0	(\$31.63)	35	10.7	38	20.1

The wages of the crew in the several departments vary on different^t steamers, depending upon the supply available and the port at which signed on.

While it is certain that we can upon a large scale reduce the cost of American ships to the prices ruling

in the British shipyards after a few years, it is very doubtful whether we can ever reduce the cost of operation so much below the comparative cost of today as to equal the cost of operation by the English or German, to say nothing of the Japanese; for the tendency is to increase wages faster here than abroad, and the principle of efficiency cannot be applied to operation of a steam or sailing ship as it can be to the building of the same ship.

Last year while Captain Alexander McDougall, the inventor of the whale-back type of steamships and barges, was on the Pacific coast he obtained comparative figures of wages paid on an American freighter of 4,000 tons dead weight, with those on a British freighter of 6,000 tons dead weight, and the monthly wage of the American vessel was \$1,710 or \$42.50 per ton against \$550.50, or only \$9.13 per ton; and yet he gave it as his opinion that if we could have protection for ten years we could meet our competitors, using this language:

“They will have cheap raw material to build from, experience, competition with each other, and forcible intelligent management, with improved appliances to quickly and cheaply handle cargo. They will have learned to do the cheapest transportation in the world, for, notwithstanding the fact that high wages are paid, lake ships are making a fair profit at rates only half the cost of doing the same work with the same ships, on the same draft of water, of ten years ago. This comes from forcible, intelligent knowledge of how to do the work, and much of the same results, I think, would come if we had ten years of such right of way at sea.”

Referring to the building of the Navy, President Cleveland, in his last annual message, said:

“It is gratifying to state that our ships and their outfits are believed to be equal to the best that can be manufactured elsewhere, and that such notable reductions have been made in their cost as to justify the statement that quite a number of vessels are now being constructed at rates as low as those that prevail in European shipyards.”

AN AMERICAN MERCHANT MARINE

However doubtful it may now seem that we shall be able to operate our vessels as cheaply or carry cargoes as cheaply as our foreign competitors, it is a fact that far greater differences have been overcome in other lines of endeavor carried on under the ægis of protection than now exist in shipping; and it is also a fact that as a result of protection we did for more than sixty years compete successfully with all comers, but finally lost our place upon the ocean by *unfair trade*,—we failing to use protective methods, subsidies or subventions and other devices to which our competitors resorted.

Should we now abrogate all existing treaties and conventions by which our hands and feet have been tied, and compel foreigners to pay ten per cent *ad valorem* upon all goods imported in their ships, and we should succeed in carrying goods as cheaply as they, every dollar of this ten per cent duty would be paid by the foreigner and not one cent of it would be paid by the American consumer of the goods imported.

WHO HAVE SUPPORTED THIS PLAN?

This was the plan of the Fathers,—Washington, Hamilton, Jefferson, Madison, and also of Thomas H. Benton, who was for thirty years a Democratic United States Senator from the State of Missouri. The three acts,—those of 1789, 1790 and 1794,—which brought us ninety-three per cent of our overseas trade were signed by George Washington.

The Republican Party declared for this plan in 1896 and William McKinley advocated it strongly, as did all the leading Republicans of that time, and, subject to the conventions and treaties, it was reenacted in the Dingley Law in 1897.

The Democratic Party declared for this principle in their national platforms in 1908 and 1912. United States

NATIONAL ISSUES OF 1916

Senator Stephen R. Mallory, of Florida, spoke in favor of it.

The Democratic leader of the last House of Representatives, now United States Senator Underwood of Alabama, and the present Democratic Speaker of the House of Representatives, Hon. Champ Clarke, have both declared in its favor.

It is the one plan for which both parties have declared and for which leading men in both parties stand committed.

It does not involve the payment of a single dollar by the United States to any shipping line in the form of a subsidy or a subvention. Every dollar goes into the Treasury and is paid by foreigners. Nothing goes out again. It is the one plan that has and will give us an American Merchant Marine beyond all possibility of doubt.

To overcome the advantages gained by foreign nations through bounties, subsidies, subventions and various other devices, including government loans and discriminatory methods, some additional precautions must be taken.

ADVANTAGES OF THE PLAN

Mr. Bates, Commissioner of Navigation, says:

“Our early shipping measures were reasonable, simple and wise. While the principle of the British navigation law was that of *exclusion and monopoly*, the essence of American policy was freedom, with *preference for the employment* of our own vessels. What preference could not secure we let go. Experience shows that for prosperous trade ships must carry *both ways*. Where they can carry cargo but one way, and must take ballast the other way, freights must rule higher, or ships must lay up idle. Experience shows also that the merchants and underwriters of every country, *as a rule*, prefer to employ and insure the shipping and property of *their own flag*. This

AN AMERICAN MERCHANT MARINE

is not only natural, but proper. If American merchants and underwriters now feel indifferent toward their country's flag, it is the result of the do-nothing plan so long pursued. It was not so when we had a patriotic policy. Besides, our shipping must now look for employment, *as for a favor*, to the subjects, or agents of subjects, of foreign Powers, right in our own ports, and, of course, their preference is for foreign tonnage, the property to be varied and the insurance being foreign.

"In early times our export-carrying depended mainly on the *natural preference* of our merchants and underwriters for our own ships to carry our own property. A foreign ship had generally to buy its export cargo. Our import-carrying could not be left to shippers in foreign ports, without inducements that would create a *preference* for American vessels. Discriminating tonnage and tariff duties created this, and while these continued it resulted in our ships abroad getting cargoes and dispatch nearly as well as at home. Few had to return without at least cargo enough for ballast. Our proportionate carriage of imports averaged *six or seven* per cent higher than that of exports. Our ships sailed with assurance, carrying the cheaper for being employed both ways."

From this statement it is clear that it is all-important that our American ships shall have cargoes both ways, and to insure this we should pursue a policy that will encourage and develop American merchants and American banking connections throughout the ocean-carrying world. The natural sequence will be an American system of underwriting equal to the demands of American shipping.

WHAT WILL CONSTITUTE A TRULY AMERICAN MERCHANT MARINE

From what has been said it must necessarily follow that a patriotic and prudent policy demands that we should build our own ships in our own shipyards, employing American mechanics, and that the ships flying our flag

should be owned by American citizens and manned and operated by men who owe their allegiance to our flag; and, that to make it possible for our ships to carry freights as cheaply as any foreign ship, we must have our own banking and mercantile connections in every part of the commercial world, working in the interest of American shipping, which in a very short time would be insured by American underwriters. No factor must be omitted. No link in the chain must be left out. This would be an American policy, a patriotic policy.

Patriotism will lie at the very foundation of profit, and profit is essential to success. In other words, we must have an efficient national organization covering the American shipyard, every ship and every shipping port on the globe, where American ships will have occasion to go in pursuit of American trade.

INTERNATIONAL SHIPPING TONNAGE

There are engaged in marine trade, ships having a total tonnage of more than 50,000,000,¹ of which Great Britain owns and operates more than forty per cent, while we own and operate less than ten per cent, although our imports and exports are now normally more than three-quarters those of Great Britain. Just at the moment, as a result of the war, they exceed those of Great Britain.

If we had our own share of the world's carrying trade today, our tonnage in foreign trade, measured by our relative interests previous to the outbreak of the war, would have been upward of 12,000,000 tons of shipping at the lowest possible calculation.

If we should set about to secure this amount, which is our natural right, in the way already pointed out, we will develop an industry that will support more than

¹See Appendix B.

AN AMERICAN MERCHANT MARINE

one-twentieth of our population, or between five and six million people,—an event which would prove a most fortuitous circumstance in the light of coming events. Nor could the American people be engaged in a more congenial, honorable and profitable line of work than ship-building, navigation and foreign commerce. Indeed, there is no line of employment that seems to embrace such a host of varied pursuits calling for nearly every material resource and almost every kind of talent.

Taking ten years as the approximate period necessary for the achievement of the purpose, the following is a fair estimate of the business advantages to accrue to the country as a result of the undertaking.

A development commensurate with our present actual needs is estimated to be approximately as follows:

Ship-building next ten years, 12,000,000 tons, amounting to.....	\$1,200,000,000
Yearly ship-building.....	100,000,000
Amount of transportation yearly (doubling in 20 years) ¹	300,000,000
Trading, banking and insurance (at least)....	3,500,000,000
	\$3,900,000,000

Everything grows with that upon which it feeds; but of nothing can this be more true than American shipping, if we should only assume our rightful place in ship-building, navigation and international commerce.

Today our part in the world's trade amounts to \$275,000,000, possibly \$300,000,000, when it should be at least \$4,000,000,000. We have only about two and one-half per cent of our import traffic with Europe and only ten per cent of our import traffic with the whole world. Of our exports we carry only seven per cent in normal times.

Let us now adopt as our policy American ships for

¹See Appendix B.

NATIONAL ISSUES OF 1916

American commerce; then, and then only, shall we have American trade for American merchants. With American ships for American trade as our motto, we shall in a quarter of a century take our proper place at the head of international commerce, and in fact be what we would like to seem to be to all the world,—the leading, the most powerful nation in the world. Nor is it at all possible for us to have much if any influence in the affairs of the world in the coming time unless we take advantage of our opportunities and assume our rightful place by doing our own work upon the seven seas.

COUNTRIES ENGAGED IN OVERSEAS TRADE

There are today eighty-nine countries engaged in exporting and importing, but there are only fifty-one countries whose flag flies the seas. The seven nations having the largest commerce, and the least shipping of their own to carry, are the United States, British India, Russia, Brazil, Argentina, Egypt and Mexico. In 1900 the average monthly exports of these countries aggregated \$222,799,220; their average monthly imports aggregated \$146,975,480. More than half of this commerce is our own, and ninety-six per cent of it is carried by foreign vessels.

The seven nations of the world whose shipping exceeded their own trade in 1900 were Norway, Sweden, Denmark, Spain, Greece, Japan and Great Britain. The actual tonnage requirements of these nations in 1896 was only 12,000,000, but they had employed over 33,500,000, or two and one-half more than their own requirements. Great Britain's overseas tonnage exceeds her own requirements by one hundred and sixty per cent.

The foreign trade of any country is always greatly increased by having its own Merchant Marine, while its indirect advantages cannot be measured in dollars and cents.

AN AMERICAN MERCHANT MARINE

THE VALUE OF A MERCHANT MARINE WAS APPRECIATED BY THE FATHERS

Mr. Nicholas, of Virginia, in discussing American commerce, in 1794, used this language in the House of Representatives:

“In considering the importance of navigation to all countries, but especially to such as have so extensive a production of bulky articles as America, I think I shall show that the interest of the whole community, not those only who furnish the objects of carriage, positively demand a *domestic marine* equal to its whole business; and that, even if it is to exist under rates higher than those of foreign navigation, it is to be *preferred*. In circumstances of tolerable equality, that can never be the case; for in the carriage of the produce of one country by the shipping of another, to any other place than the country to which the shipping belongs, there is considerable more labor employed than would have been by domestic shipping, as the return to their own country is to be included. . . . A dependence on the shipping of another country tends to establish a place of *deposit* in that country of those exports which are for the use of others, if it is at a convenient distance from them. . . . The attainment of wealth beyond the demands of navigation leads to an interest *in the cargo itself*, and then the agency in selling to the consumer becomes important. It is apparent that, as the final sale depends on the wants of the purchaser, all intermediate expenses of care and agency must be taken from the price to which the maker would be entitled. Our own commerce has involved this loss in a remarkable degree, and it has gone to an enormous extent, from a necessity of submitting to the perfidy of agents.

“In time of war, in addition to the inconveniences before stated, which are enhanced by throwing the trade from its accustomed channel, there are great and important losses brought on a country by this kind of dependence. If your carriers are parties to the war, you are subjected to the *war freight*, and *war insurance* on your cargo, and you are cut off from all markets to which they are hostile, and, indeed, from

NATIONAL ISSUES OF 1916

our experience in the present war, I may say you are cut off from the market of your carriers themselves."

No statesman of our time looking back over the one hundred and twenty intervening years, even with the experiences growing out of the present war still tragically pressing upon our attention, could state this whole question so truthfully, so graphically, and so forcibly as it is here presented by Mr. Nicholas.

FINANCIAL ADVANTAGES OF A MERCHANT MARINE

An exhaustive study of men during the last hundred and twenty-five years, yes, of all time, will disclose no mind surpassing those of Hamilton and Bismarck in their comprehension of economic principles applicable to national policies. Both of them possessed not only rare talent in constructive statesmanship, but they were the embodiment of genius itself in the direction of national affairs. Both of them agreed that "*to preserve the balance of trade in favor of a nation ought to be its leading policy.*"

"Shipless trading nations or communities are constantly in foreign debt and often in financial straits."

If our exports of goods should just equal our imports of goods *the balance of trade* would stand even. But if we should pay \$200,000,000 to foreign shipping interests, as we are doing today to bring in our imports and take away our exports, including passenger traffic, *the balance of commerce* against us would be \$200,000,000. In other words, *the nation* would be \$200,000,000 poorer every year than it would be if we should pay this amount to our own people for doing our own foreign shipping.

FROM 1783 TO 1789

England had succeeded so well in methodically and incessantly robbing us from the time peace was declared

AN AMERICAN MERCHANT MARINE

in 1783, down to 1789, that in a national sense, and generally speaking from the standpoint of the people, we were literally stripped every year of all that we had produced except what we had managed to keep for food and clothing, both of which were scant indeed. This country was the very embodiment of misery. Poor as the country was, England so manipulated circumstances as to extort from us during those years more than \$11,000,000 in coin.

FROM 1789 TO 1830

As already shown, the very first step taken by the founders of this government after the adoption of the Constitution was to turn the balance of commerce into our favor by means of a Protective Tariff and transportation charges resulting from the differential duties.

The following figures disclose with what certainty their plan achieved their purpose:

	<i>Bal. of Trade</i> Per Cap.	<i>Bal. of Transp'n</i> Per Cap.	<i>Bal. of Commerce</i> Per Cap.
1791.....	—\$2.51	+ \$.25	—\$2.26
1792.....	— 2.55	+ .76	— 1.85
1793.....	— 1.18	+ 1.84	+ .66
1794.....	— .35	+ 2.62	+ 2.27

(See Appendix C.)

From 1794 to 1830 *the balance of trade* was against us every year with the exception of 1811, 1813, 1821, 1825 and 1827, while *the balance of transportation* was in our favor every year without a single exception, and as a consequence *the balance of commerce as a whole* was in our favor every year during this entire period of thirty-six years, with the exception of seven years—1795, when it was against us only twenty cents per capita; 1808

NATIONAL ISSUES OF 1916

during our embargo; and the five years from 1812 to 1819, as a result of our war with Great Britain.

I have given this information with intentional care in such detail, for the purpose of demonstrating the vital importance, the incalculable value during that period, indeed at all times, of having *the balance of transportation in our favor*.

The average amount paid out by this country during the past twenty-five years to other countries for doing our work instead of paying it to our own people cannot be less than \$150,000,000 annually, or a total of \$3,750,000,000; and the amount lost to this nation prior to that time because of the languishing and ever-waning condition of our Merchant Marine cannot be less than an equal amount,—\$3,750,000,000.

Should we continue as we are now going, we shall pay out to foreigners during the next twenty-five years a sum in excess of \$7,500,000,000, or an average of \$300,000,000 annually, which is a conservative estimate if there is now paid as much as is generally conceded,—\$200,000,000 annually on imports, exports and passenger traffic.

The pertinent question, therefore, is what will such a gigantic drain upon the country have upon our economic condition.

For forty years the balance of trade against Great Britain has averaged more than \$1,000,000,000 a year. The greater part of this vast sum has been made up annually by the transportation charges paid to Great Britain on account of her shipping interests, the amount now averaging about \$800,000,000 per annum. Banking and insurance included, the advantage to Great Britain cannot be less than \$1,000,000,000.

If Great Britain had not collected from the rest of the world this tribute of nearly \$1,000,000,000 yearly, she would have been utterly bankrupt long, long ago. Will not this material fact, this all-important fact, this vital fact, in the economic life of Great Britain interest

AN AMERICAN MERCHANT MARINE

the American people? Will it not arouse them to the ever-impending danger of national bankruptcy and compel them to pursue the policy of the fathers before it is too late?

Let it be noted and remembered that when alien merchants and alien bankers and foreign vessels and foreign underwriters are employed in a nation's commerce, *as they now are in ours*, only a very large excess of exports over imports can prevent an adverse *balance of commerce*. Sooner or later the present conditions will destroy the very foundations of our country's business. Let us awake to the possibilities of the impending danger.

POLITICAL PERILS DUE TO PRESENT POLICY

If we had pursued persistently and unwaveringly down to this day the policy followed by us down to 1828, the whole world would now be indebted to us, and our interest in other lands would be as great as that of Great Britain herself was at the beginning of the present war.

If we should now adopt that policy of complete mutual dependence upon each other, we should soon become absolutely independent of all the rest of the world.

The time has now arrived when such a course has become absolutely necessary if we would be safe from the insidious influences of aliens who infest every channel of trade, and permeate every avenue of influence until suspicion of disloyalty and treachery fills the very air we breathe.

Mr. Fitzsimmons said in Congress, in 1789:

“It is by means of these men, and the capitals of Britain, that we are furnished with vessels for the transportation of our productions (abroad); it is by this means that almost the whole of our trade is carried on in some States.”

NATIONAL ISSUES OF 1916

Therefore, it is not a new or strange situation that confronts us. The representatives of Great Britain occupied identically the same position and attitude in 1789. Economically we were then her subject province; but by 1797, when Washington wrote his farewell address, we were carrying ninety-two per cent of our imports and eighty-eight per cent of our exports, and our country had become economically free. Times had changed very greatly. We were prosperous and independent, and Washington, with the keenest sense of appreciation of the causes of the great change that had taken place, was in a position to caution and advise us wisely with regard to the future.

“Against the insidious wiles of foreign influence (I conjure you to believe me, fellow-citizens) the jealousy of a free people ought to be constantly awake; since history and experience prove that foreign influence is one of the baneful foes of republican government.”

While the recollection of malign influences of foreign representatives was still most vivid, Jefferson said, in 1791:

“The marketing of our productions will be at the mercy of any nation which has possessed itself exclusively of the means of carrying them; and our politics may be influenced by those who command our commerce.”

That is precisely the situation today. We do not have the control of our trade. Out of all of our foreign commerce, our eager rivals and possible, yes, probable, enemies control and command ninety-two per cent of our imports and ninety-three per cent of our exports.

So bold have these enemies of the Republic already become that, when it is proposed by Congressional action to secure some small part of the carrying trade which rightfully belongs to us, they have had the au-

AN AMERICAN MERCHANT MARINE

dacity to wait upon the Secretary of State and *threaten this government with reprisals.*

Has such a love of ease, such a spirit of sloth, such ignoble cowardice crept over us as to prevent our appreciation of the gravity of the situation, and our resentment of such an insolent interference with our national interests?

Let it be remembered that there is not one single legitimate reason why we should not do our own carrying on the ocean, and that when we hear any man arguing to the contrary we should mark him either as utterly ignorant of all history, or the paid representative of some foreign interest. Let us remember that when we read arguments in the press or in pamphlets against our resuming our rightful place on the ocean, such printed matter is paid for by our enemies who are seeking to undermine and destroy us. Let us remember that foreigners are fighting to hold a stake in our business affairs that is worth from \$300,000,000 to \$500,000,000 a year, for it involves handling from \$4,000,000,000 to \$5,000,000,000 of freights, banking and insurance a year, and that a few millions for corruption purposes and newspaper propaganda against American interests can well be afforded. Let every loyal man be on his guard against these insidious and most dangerous enemies of this country.

These same foreign influences will fill the columns of the press with arguments to prevent us from taking any action that will protect us from their further encroachments and new aggressions. They constitute a large part of the membership of some of our commercial bodies, and succeed by their sophistry in successfully poisoning the minds of many of the American people against their own interests, so subtle and powerful are the influences they invoke. It is high time that both British and German influences should be confined to the domestic interests of their respective countries. But this salutary result cannot be hoped for until we

NATIONAL ISSUES OF 1916

now, as the founders of this government did in 1789, adopt a policy that will absolutely exclude them from our domestic affairs by asserting our right to do our own work on the seven seas,—in carrying our own goods to market and bringing back what our own merchants purchase to meet the demands of our own people.

In 1789, 3,925,000 people, poor indeed, and greatly distressed, but brave and noble men every one, living along the Atlantic coast dared to lead the way and strike off the shackles of English trade domination, and secure for themselves industrial freedom. What are 100,000,000 of people, rich beyond the range of the imagination, and occupying a vast domain stretching from the Great Lakes to the Gulf, and from the Atlantic to the Pacific, going to do to regain their rights upon the sea?

No nation stands still. Every nation goes forward or goes backward. It remains to be seen in which direction we are going. Forthwith let all those conventions and treaties that are standing in the way of exercising our natural rights upon the sea be abrogated. We have plenty of precedents if we need them.

“We have an ample precedent even for the abrogation of a ‘treaty’ that works injustice to our navigation. By an Act of Congress, July 7, 1798, the following treaties were abrogated: ‘Alliance with France, 1778; Amity and Commerce with France, 1778; Act Separate and Secret with France, 1778; Consular Convention with France, 1778.’ In 1879 Congress abrogated the ‘Burlingame’ treaty with China. President Hayes vetoed the act, but made a new treaty securing its object—Chinese exclusion.

“A convention with Great Britain for commercial reciprocity with Canada was made in 1854. At the end of the term fixed (1864) our government promptly gave the notice required and annulled the agreement. No difficulty followed. The evil-working maritime convention of 1815-18-27 can as well be nullified as the commercial one of 1854. It should make no difference that the former relates to British shipping, while the latter concerned Canadian trade. We agreed with Great

AN AMERICAN MERCHANT MARINE

Britain not to exercise the power of Congress for the regulation of our commerce, and consequently our shipping in the foreign trade has been swept away. If we will not now annul this and like agreements and reverse our policy, as the world can see, we must love subordination, and fixed subservience to *British power*.”—(BATES.)

MERCHANT MARINE ESSENTIAL TO NATIONAL DEFENSE

Jefferson, speaking of the importance of the Merchant Marine as an aid to the national defense, said:

“As a branch of industry it is valuable, but as a resource of defense, essential. . . .

“But it is as a resource of defense that our navigation will admit neither neglect nor forbearance. . . .

“But on their seaboard they are open to injury and they have, too, a commerce which must be protected. This can only be done by having a respectable body of citizen seamen and of artists and establishments in readiness for ship-building.”

On the first day of the first debate of the First Congress, Madison used this language:

“Especially was it necessary to make an exception in all that relates to national defense. On this exception he said: ‘Great stress was laid by some well-informed men, and this with great plausibility; that each nation should have within itself the means of defense, independent of foreign supplies; that in whatever relates to the operations of war, no State ought to depend upon a precarious supply from any part of the world. . . .

“‘I admit that laying fifty cents on foreign vessels and but six cents on our own, is a regulation by which the owners of American shipping will put a considerable part of the difference into their pockets. This, sir, I consider as a sacrifice of interest to policy; the sacrifice is but small, but I would not contend for it, if we did not stand in need of maritime improvement. . . .

NATIONAL ISSUES OF 1916

“But we have maritime dangers to guard against and we can be secured from them in no other way than by having a Navy and seamen of our own; these can only be obtained by giving a preference. I admit it is a tax and a tax upon our produce, but it is a tax we must pay for the national security. I reconcile to the interest of the United States that this sacrifice should be made; by it we should be able to provide the means of defense; and by being prepared to repel danger, is the most likely way to avoid it. This tax, therefore, may prevent the horror of a war, and secure to us that respect and attention which we merit.”

Rufus King, United States Senator, speaking in the Senate, said:

“An efficient Navy never has existed and cannot exist without a commercial marine; and the maritime history of Europe, which abounds with instruction on this subject, demonstrates this political truth, that the naval power of every nation is in proportion to its commercial shipping. Money may build ships, but the navigation of the great ocean only can make seamen, and it is only in connection with this view of the subject that the exclusion of our shipping and seamen from the navigation between the United States and the colonies of England derives its chief importance.”

As chairman of the Committee on Foreign Relations, he stated in his report:

“Navigation and maritime industry, for a peculiar reason, call for national protection, for the art of navigation is an expedient of war, as well as of commerce; and in this respect differs from every other branch of industry. Though it was once doubted, doubt no longer exists, that a Navy is the best defense in the United States, and this maxim is not more true than that a naval power never has existed and never can exist, without a commercial marine, hence the policy of encouraging and protecting the ships and seamen of the United States.”

The Merchant Marine of any country is “the cradle of the Navy” of that country. When our shipping

AN AMERICAN MERCHANT MARINE

was at its very height in 1827, the London *Times* said, editorially, by way of lamentation:

“Twelve years of peace and what is the situation of Great Britain? The shipping interest, the cradle of our Navy, is half ruined, our commercial monopoly exists no longer.”

The important part played both in the War of the Revolution and in the War of 1812 by the American Merchant Marine, is well described by Marvin in his work, “The American Merchant Marine,” in these words:

“It is as significantly true of the War of 1812, as it is of the War of the Revolution, that it was fought on the sea for the greater part, not by national ships, which were few, but by privateers, which were many. These privateers were usually improvised from merchant vessels; they were always manned by merchant crews. No history of the Merchant Marine can be complete without at least a brief survey of their exploits.

“There were, at least, forty thousand native American merchant seamen at the breaking out of the War of 1812, or enough to man the United States Navy eight times over.”

To estimate the magnitude of the advantage of a Merchant Marine, one need but recall that some years ago when our battle fleet steamed around the world, it was attended by more than forty merchant vessels carrying fuel and supplies, and all flying foreign flags. If sudden war had come during that globe-girdling cruise, these transports would have been transformed automatically into enemies or neutrals. In the first instance, they would be bound to do us all the injury possible, while in the latter event, they would have vanished at once, leaving our Admiral hard-pressed, if indeed not unable to get his ships home.

John Stuart Mill, a free-trader, in his “Political Economy” had this to say about shipping as essential to the Navy:

NATIONAL ISSUES OF 1916

“The navigation laws were grounded, in theory and profession, on the necessity of keeping up a ‘nursery of seamen’ for the Navy. On this last subject I at once admit that the object is worth the sacrifice; and that a country exposed to invasion by sea, if it can not otherwise have sufficient ships and sailors of its own, to secure the means of manning in an emergency an adequate fleet, is quite right in obtaining those means, even at an economical sacrifice in point of cheapness of transport.”

Admiral Mahan, admittedly the highest authority on sea power and the strategy of naval warfare, upon a number of occasions deplored the neglect of its Merchant Marine by the United States; and in his notable work on the “Influence of Sea Power upon History” said:

“When the day comes that shipping again pays, when the three sea frontiers find that they are not only militarily weak, but poorer for lack of national shipping, their united efforts may avail to lay again the foundations of our sea power. Till then, those who follow the limitations which lack of sea power placed upon the career of France may mourn that their own country is being led, by a redundancy of home wealth, into the same neglect of that great instrument.”

Let it be written in letters of living fire, everywhere, all over this land of ours; let it be burned into the mind of every American citizen, that:

If we want sea power, we must have seamen;

If we want seamen, we must have a Merchant Marine;

If we want a Merchant Marine, we must build it in our own shipyards.

OUR LOST OPPORTUNITIES

If we had continued in our relative place from 1830 down to 1915, our overseas trade, which is normally \$4,500,000,000, would now exceed that of Great Britain,

AN AMERICAN MERCHANT MARINE

which is \$6,000,000,000, and the trade of the world would have been considerably increased. International commerce, measured by the total amount of imports of all countries, is approximately \$20,000,000,000. This might have now reached \$25,000,000,000, as trade grows by intercourse. Every overseas ship is a missionary in the world of international commerce. Merchant seamen are always discovering new fields of trade and new articles of commerce.

Though we are practically without a Merchant Marine and should speak in this connection as if we had none, we are to-day producing and consuming about one-third of all the commercial products of the human race. Our bank resources are approximately forty-five per cent of all the bank resources of the world, and had we kept our rightful place upon the sea, ocean commerce must have been considerably greater. Though we would have gained as a nation, the outside world would have gained still more materially and vastly more in uplift, as the most potential force in the advancement of civilization is commerce.

Under such circumstances it is most unfortunate and marvelously strange that such tales as these could ever become true.

In 1892 the United States consul at Hamburg, replying to certain questions, reported to the State Department as follows:

“It seems a very sad commentary to have to make on the shipping of our country when I reply to the first four interrogatories of the Treasury by saying that during the year in question there was not a single American steamer of any sort or tonnage entered at this port. Nor can I find in the records of this consulate, covering a period of over thirty-five years, a trace of any others, with the exception of the year 1888, when one steamer of about 1,900 gross tons happened in. I cannot but believe that such an announcement would astound most of our people, when it is considered that Hamburg, a city of

NATIONAL ISSUES OF 1916

over half a million souls, is, after Liverpool and New York, the largest shipping port in the world; that it is by far the most important seaport and distributing center of the Continent; that in its harbor can be seen the flag of every third-rate power in the world that has a sea-coast; that so large a part of it has been built with American dollars; that its import and export trade with the United States is larger by much than that with any other country, and that one steamship line alone dispatches, on an average, over three steamers a week the year around, carrying passengers to the United States, while the same number bring them back from there. Not only have none of our steamers participated in the carrying trade of this port for years, but of sailing vessels bearing our flag there were during the year ending June 30, 1894, but *two*; during 1893, 1892, and 1891, *two* each, and during 1890, *none*."

The Commissioner of Navigation, in his report for 1893, after quoting this letter, adds:

"Hamburg is not an exceptional city, for the reports of consuls at other ports tell a like story.

"That every bushel of grain which left New York last year for Europe was carried under a foreign flag;

"That of the 23,329 entries last year of vessels bearing the flag of every nationality other than the British at the ports of Great Britain and Ireland the Stars and Stripes appeared only 78 times, and that of these, 45 times the flag was borne by four steamships;

"That of 15,875 entries in 1891 (the latest year for which figures are at hand) of vessels bearing the flag of every nationality but the German at ports of the German Empire, American merchantmen are not even separately enumerated, but are classed as part of 'scattering,' 22 vessels, of 16,000 registered tons;

"That of 12,774 entries of vessels, measuring 10,612,438 tons, bearing the flag of every nationality other than the Italian, which entered the ports of Italy during 1893, only 37 vessels, of 17,665 tons, with crews aggregating 453 men, carried the American flag, and of these 13 vessels, of 14,114 tons, with crews aggregating 313 men, were pleasure-yachts;

AN AMERICAN MERCHANT MARINE

“That the American pleasure-yachts, 6 in number, which touched at Gibraltar last year nearly equaled in tonnage our entire merchant fleet in the Mediterranean, whither ninety years ago the United States dispatched Preble and Decatur to assert the rights of American shipping;

“That of 11,000 vessels which have passed through the Suez Canal in the last three years only 6 have borne the American flag, and 2 of these were war vessels.”

Hon. Stephen B. Elkins, late United States Senator from West Virginia, in a great speech delivered in the United States Senate, April 5, 1897, in defense of a Merchant Marine built upon the principle of differential duties, adduced the following facts to show the deplorable, the disgraceful situation with regard to our ocean-carrying trade:

“During the year 1894 only one American vessel entered Bergen, the second port of the Kingdom of Norway, while 1,279 vessels of other nations entered and cleared at this important port.

“From 1886 to 1895—nine years—only 15 American vessels passed through the Suez Canal, 4 of which were warships and yachts. In 1896 no American vessel of any kind passed through, while 3,407 foreign vessels used the canal, with a tonnage of 8,594,000 tons, the receipts for toll amounting to about \$16,000,000.

“In 1894, 15,663 British vessels entered and cleared at various ports of the United States. During the year 1895 the entries and clearances of American vessels in Great Britain were 83. During this same year the number of vessels in foreign trade entered and cleared in ports of Great Britain aggregated 124,168.

“In 1894 the aggregate tonnage entered and cleared in ports of Great Britain was 80,636,000 tons, of which 536,446 were under the United States flag, or precisely two-thirds of 1 per cent. During the same year the aggregate tonnage in foreign trade entered and cleared at United States ports was 19,989,663 tons, of which 10,841,524 tons was British, or 54 per cent.

NATIONAL ISSUES OF 1916

“At London, in 1894, the aggregate tonnage was 14,433,580 tons, of which only about 17,000 tons were American.

“At Liverpool the same year the aggregate tonnage was 10,489,578 tons, of which 86,639 tons were American.

“At Cardiff (Wales) the trade aggregated a tonnage of 10,478,391, of which not a single ton was American.

“There are 53 steamships running in regular lines from England, France, Germany, and Canada to Sydney, against 2 from the United States.

“Out of the 523 steamers which last year entered the port of Buenos Ayres, a city of 700,000 inhabitants, not one was American.

“Of the ten chief maritime nations of the world, the United States and Italy have shown a decline since 1875. Germany, almost without a seacoast, as compared with the United States, stands ahead of her in shipping in the foreign trade.

“In the year 1894 Mexico and Central and South America bought \$520,000,000 of foreign products, 6 per cent only of which was carried in American ships.

“In the year 1894 the voyages made by American merchant vessels between the United States and Europe were 252, while European vessels made 10,233 voyages.

“The tonnage of American vessels in our West Indian and South American trade in recent years has declined from about 87 per cent to 68 per cent, and with South America from 93 per cent to 75 per cent, and English vessels have gained what we lost.

“In 1893, 3,045 English ships entered Argentine ports, while only 103 American ships touched at those ports.

“Only 3.4 per cent of the world's shipping is American. British ships carry about 67 per cent of our foreign commerce.

“In 1893 there were employed in the British Merchant Marine 216,177 persons, 85 per cent being native Englishmen.

“In 1894 there were employed in American domestic and foreign shipping about 70,000 persons, 30 per cent being native Americans and 70 per cent foreigners.

“In 1895 a person starting around the world was asked to make a note during the trip of the number of times he might see the American flag flying on American vessels. The report made after the trip was that he did not see the American flag once on an American vessel.”

AN AMERICAN MERCHANT MARINE

From this array of facts one would hardly think it possible for us to sink any deeper, more completely out of sight. And yet, since that time we have lost steadily in our overseas trade. In 1890 we carried sixteen and sixty-eight hundredths per cent of our imports and nine and three-tenths per cent of our exports, while in 1910 we carried only ten per cent of our imports and seven per cent of our exports.

THE NEXT TEN YEARS

It is from this low level that we must build up our ocean shipping until instead of 1,000,000 tons we shall have at the end of the next ten years 12,000,000 to 15,000,000 tons, and in twenty-five years between 15,000,000 and 20,000,000 tons. At the end of that time the Stars and Stripes should be met on every ocean-trade route on the globe and should adorn every harbor where vessels load and unload cargoes of merchandise for the convenience, comfort, welfare and advancement of mankind.

A MERCHANT MARINE AND A NAVY ARE COUNTERPARTS OF EACH OTHER

A Merchant Marine and a Navy are mutually dependent, and they are each equally essential to each other. An American Merchant Marine adequate to meet the commercial needs of this country will represent an investment ranging from one and a half billion to two billion dollars. It will be engaged, beside our coastwise trade, in transporting in the outset from and to all quarters of the globe annually, from one billion to two billion dollars worth of manufactured products. There will be no ocean over which our cargoes will not soon go; no seas our ships will not soon plow; no trading port where the Stars and Stripes will not need the steady and strong

NATIONAL ISSUES OF 1916

support of this government, if the rights of our citizens are to be respected.

The American Navy must be the guardian and protector of the American Merchant Marine over which the Stars and Stripes float, if our rights as a nation are to be recognized and our citizens are to be free from insult and injury. Each is a necessary complement of the other, and both are necessary to the enjoyment of the rights, respect and honor which are due to our country and our countrymen.

If our government will permit our citizens to build up a Merchant Marine upon equal and competitive terms with other nations, the American people will produce a Merchant Marine second to none in the world; and the very same policy that will enable the people to achieve this all-important result will produce all the requisite revenue, most of which will be paid by foreigners, to enable this government to build a Navy that is essential to our proper respect throughout the world and that protection which must be given by this government to its citizens, wherever they may of right be, in their journey around this globe.

As we have already pointed out, the policy suggested will bring into the United States Treasury upwards of \$350,000,000 annually, while it will save to the wealth of the nation during the next twenty-five years, in transportation charges, insurance, commissions and banking, upwards of \$300,000,000 annually, or a total of \$7,500,000,000.

DEFENSE OF OUR DOMAIN

Even though our Merchant Marine should be permitted to languish and literally die, our domain, with an extended coast-line of more than 22,000 miles, must be patrolled and protected by government vessels, if we are not to become the natural prey of those great and grow-

AN AMERICAN MERCHANT MARINE

ing political powers now casting their shadows athwart our national pathway.

But before pointing out the importance and significance of such a defense in detail, and suggesting the particular reasons for it, the attention should be riveted to a great fundamental truth, a demonstrated fact, because by a recognition of this great fundamental truth alone can we hope to have any more than a superficial influence, and a sporadic success in the affairs of the world in the coming time.

That great fundamental truth is this,—that there can be no permanent, no reliable Navy commensurate with the needs of any nation that is not founded upon its counterpart,—a Merchant Marine completely adequate to the demands of the overseas commerce of that nation.

Under Henry IV, Richelieu had laid down the broad principles upon which a sea power should be built up. But they did not find fruition until 1661, when Colbert, a man of the highest order of statesmanship, a man of practical genius, was called by Louis XIV to the administration of that department of the national affairs of France which dealt with manufactures, trade, commerce, shipping and colonial government.

Colbert laid down the principles of administration in these words:

“To organize producers and merchants as a powerful army subjected to an active and intelligent guidance so as to secure an industrial victory for France by order and unity of efforts and to obtain the best products by imposing on all workmen the processes recognized as best by competent men. . . . To organize seamen and distant commerce in large bodies like the manufactures and internal commerce, and to give as a support to the commercial power of France, a Navy established on a basis and dimensions heretofore unknown.”

To carry out his purpose Colbert began by buying back Canada, Newfoundland, Nova Scotia and the

French West India Islands from the parties who owned them, as he regarded Colonial trade essential to the establishment of a great sea power.

Admiral Mahan describes his policy in these apt, graphic and comprehensive words:

“Agriculture, which increases the products of the earth, and manufactures which multiply the products of man’s industry; internal trade routes, and regulations, by which the exchange of products from the interior to the exterior is made easier; shipping and customs regulation tending to throw the carrying trade into French hands, and so to encourage the building of French shipping, by which the home and colonial products should be carried back and forth; colonial administration and development by which a far-off market might be continually growing up to be monopolized by the home trade; treaties with foreign states favoring French trade, and imposts on foreign ships and products tending to break down that of rival nations,—all these means, embracing countless details, were employed to build up for France: (1) Production; (2) Shipping; (3) Colonies and Markets,—in a word, Sea Power.”

If the great Bismarck had been accredited with this presentation of an economic policy and the marvelous achievements of the German Empire during the past forty years should have been adduced as a demonstration of its wisdom and justification, it would have been accepted at once as a perfect illustration of the coincidence of a sound theory and successful practice; for these words of interpretation of Colbert’s national policy by Admiral Mahan are a complete presentation of the economic policy laid down by Bismarck for the guidance of Germany.

Here is outlined a national policy combining both political and commercial purposes,—production, trade, commerce and navigation,—a policy which, unfortunately for France, she did not continue to pursue, but which England has pursued uninterruptedly and unwaveringly with a religious zeal for nearly three hundred

AN AMERICAN MERCHANT MARINE

years, or since 1651. Cromwell instituted it and it has ever been the very heart of the national life of Great Britain.

It was the national policy of the founders of this government. Note what Washington said in his first message to Congress:

“The advancement of *agriculture, commerce, and manufactures* by all proper means will not, I trust, need recommendation.”

Jefferson, in his first message in 1801, used this language:

“*Agriculture, manufactures, commerce and navigation*, the four pillars of our prosperity, are then most thriving when left free to individual enterprise. Protection from casual embarrassment, however, may sometimes be reasonably interposed. If in the course of your observations or inquiries they should appear to need any aid, within the limits of our constitutional powers, your sense of their importance is sufficient assurance they will occupy your attention.”

These words of Washington and Jefferson are only paraphrases or restatements of Colbert's expressed national policy, and they define the unswerving political purpose and commercial policy of Great Britain ever since 1651, and should be our political purpose and our commercial policy from this day forth.

For forty years, from 1789 to 1830, this national policy did for us precisely what it has done for Great Britain for nearly three hundred years.

Let *agriculture, manufactures, commerce and navigation* all have places of equal importance in our national policy. The development of each commensurate with our needs is essential to the highest welfare of all, and patriotism will always compel the submergence of individual interests at any given time to the welfare of the whole nation.

NATIONAL ISSUES OF 1916

OUR RESPONSIBILITY IN THE ATLANTIC

Whatever the geographical position of a country may be, the first line of its defense is always identically the same,—diplomacy.

Situated as we are geographically, our second line of defense must be our Navy,—not to defend the country from coastal attack simply; but to attack in mid-ocean, in a far-off sea or bay, half-way round the globe. Admiral Fiske, United States Navy, has well said, “The most effective defense is offensive-defensive.”

In Naval warfare the defensive is distinctly offensive, as “Our objective is the enemy’s fleet,” wherever he can be found. Dewey found the enemy’s fleet in Manila Bay, on the other side of the globe.

The object must always be to prevent a coastal attack, if possible, therefore if anything our Navy should be more for the offensive than defensive, and this is particularly true of us, because of the vast extent of our coast-line.

The third line of defense in our case must be our coast defenses with mobile land forces to protect the land approaches.

Beginning with the Canadian boundary and going south by the coast-line, passing Boston, New York, Washington, rounding Florida into the Gulf of Mexico, by New Orleans, out past Cuba, which we must defend, the Dominican and Haytian Republics over which we hold protectorates, on to Porto Rico, thence 1,000 miles to the Panama Canal, we have several thousand miles of coast-line to defend.

Captain John Hood, U. S. N., says:

“The most probable and almost certain theater of action in any war that we may have with a European nation will be in the Caribbean Sea, or waters adjacent thereto, since it is there we are weakest and most vulnerable.”

AN AMERICAN MERCHANT MARINE

By building the Panama Canal we have made a second Mediterranean out of the Caribbean Sea.

Speaking of these two seas, Admiral Mahan said:

“Their conspicuous characteristics now are their political and military importance, in the broadest sense as concerning not only the countries that border them, but the whole world at large.”

In the light of history, can anyone think that our policy in Mexico would have been tolerated by certain European powers but for the war now completely pre-occupying them? Most certainly we should have been compelled to either protect the property and lives of foreigners, or have allowed their governments to do so. It is just such weak, paltering, irresponsible conduct on the part of this government that must lead to certain trouble on this continent. We may court cowardice because “too proud to fight” and permit our own citizens to be despoiled of their property and murdered by the hundred, and our women assaulted, and no one but an incensed people at a following election can show its vengeance. But similar crimes committed upon foreigners will meet swift and just avengers, for they will not allow such hideous deeds to go unpunished.

The Monroe doctrine cannot be used by us as a cloak to protect thieves, pirates and murderers, and even worse criminals in the perpetration of their outrages. It involves responsibility as well as the power of protest against the interference of foreigners.

Passing through the Canal, the dream of the centuries, and entering the Pacific, we come upon the great theater of the world's commerce during the coming century.

RESPONSIBILITIES IN THE PACIFIC

Captain Arthur B. Niblack, U. S. N., has aptly and well said:

NATIONAL ISSUES OF 1916

“Geography, acquisitiveness or destiny has presented us in the Pacific with Alaska, the Hawaiian Islands, Tutuila (Samoa), Midway Island, and Guam, as stepping-stones across the Pacific, and, by their possession, imposed upon us the same policy as if they were actually in the hands of an enemy or rival, because they exist and cannot be sunk; and if we fail to make the right use of them geography will turn them against us, just as it turned them away from others and to us. The Pacific permits to us no defensive policy such as we have softened ourselves to in the Atlantic. Our coast-line extends to Guam, even if we should scuttle in the Philippines. We can wiggle, and squirm, and make a wry face over paying the bill, but we can never evade ultimately the cost of adequately fortifying a naval base in the island of Guam, and in a lesser degree in the island of Tutuila, in the Archipelago of Alaska, and on Midway Island, just as we have already begun the good work in the Hawaiian Islands and at Balboa at the Pacific end of the Panama Canal, Honolulu, Midway, and Guam.”

But fortifying these outposts which will enable us to dominate the Pacific if we have an adequate Navy, will be a comparative waste of money and an almost impossible task unless we have also a Merchant Marine commensurate with our Pacific needs. Certainly our Navy could not be projected into the future and maintained for a long period of time successfully, and at no time with that high and essential degree of efficiency of which it would be capable through an adequate Merchant Marine.

OUR COAST-LINE AND OUTPOSTS

Our coast-line, if appreciated and utilized to the full extent in the interest of international commerce, will prove our greatest single source of national wealth and international power. But over 22,000 miles of coast and outposts covering our fronts on the Atlantic and on the Pacific, with our obligations to Cuba, Hayti and other peoples struggling toward the light of liberty, the Pan-

AN AMERICAN MERCHANT MARINE

ama Canal, the Monroe doctrine and the future of the Pacific, present problems of vast importance and consequence and of overwhelming weakness unless we meet them squarely, bravely and adequately.

THE CONTROLLING PLACE OF SEA POWER IN THE HISTORY OF THE WORLD

Admiral Chadwick, in the introduction of his book, "The American Navy," says:

"The Navy in all countries has ever been, and as far as we can now judge, ever will be, a preeminent instrument of government. It was through her navy that Greece destroyed the power of Persia; Rome that of Carthage; the Allies at Le Panto that of the Turks; England that of Holland, and later that of France in America; the navy of France, in turn, caused the relinquishment of Great Britain's sovereignty over the thirteen colonies which formed the United States, and a generation later it was the British navy which made the efforts of the Great Napoleon the 'baseless fabric of a vision.'"

Our war with France in 1788 was settled on the sea. The War of 1812 came to a close after we had won eleven out of thirteen naval engagements. These were the vital, the determining victories. The Navy made certain the preservation of the Union; for no one can say what the result would have been had the Confederacy had access to the sea and the control of the Mississippi. The Spanish-American War was settled by Dewey at Manila and Samson's fleet at Santiago de Cuba. The Russo-Japanese War was ended by smashing the Russian fleet in about an hour, near the Island of Tsushima, between Corea and Japan. The complete domination of the sea by Great Britain, the fact that she has closed every sea outlet Germany had and swept her commerce off the ocean, will in the end be recognized as the great determining factor of the present European War.

NATIONAL ISSUES OF 1916

On July 15, 1780, Washington sent to Rochambeau by the hands of Lafayette a memorandum, which read:

“In any operation and under all circumstances a decisive naval superiority is to be considered a fundamental principle and the basis upon which every hope of success must ultimately depend.”

In his annual message of December, 1796, Washington urged a naval force as indispensable, saying:

“To secure respect to a neutral flag requires a naval force organized and ready to vindicate it from insult or aggression. This may even prevent the necessity of going to war by discouraging belligerent powers from committing such violations of the rights of the neutral party as may first or last leave no other option.”

In the House of Representatives in November, 1800, John Adams, to whom it is said the Continental Navy was chiefly due, said:

“I confidently believe that few persons can be found within the United States who do not admit that a Navy, well organized, must constitute the natural and efficient defense of this country against all foreign hostility.”

We want peace; we want no war with any nation; therefore let us be so well prepared to defend our rights that no nation will want any war with us. Then, and then only, shall we have assurance of peace.

THE GREATEST ACHIEVEMENTS AND FULLEST REALIZATIONS OF EVERY NATION HAVE COME THROUGH THE INFLUENCE OF THE SEA

Humboldt said:

“Contact with the ocean has been one of the chief influences in forming the character of nations as well as adding to their wealth.”

AN AMERICAN MERCHANT MARINE

Every nation has been great, directly in proportion to its mentality; but its greatness has depended upon the momentum of that mentality. No influence has been so potential in setting national mentalities in motion as that of the call of the sea. The successful building of ships requires a high degree of constructive ability and the very best mechanical skill. The sailing of vessels or the direction of steamships calls for intelligent and courageous action, while the dangers of the sea have always developed a bravery and daring that are characteristic of the men whose lives have been spent upon the ocean.

Traversing the waters of the globe have for their object the contact of mankind, which has been the greatest civilizing force of the human race. Through observation of what others have our own needs are laid bare, new desires are created, comparisons are instituted, exchange of commodities ensue, and the commerce of the world is established through the mercantile instincts of seamen, who in turn have become merchant princes and patrons of art.

Throughout all history shipping commerce has brought riches, power and refinement; and that period in the life of any nation in which it was significantly identified with overseas trade was its golden age and the time of its greatest achievements and highest advancement.

HISTORICAL ILLUSTRATIONS

Though, strictly speaking, no time can be set down as the beginning of overseas trade, the origin of ocean commerce is attributed to the Phœnicians, probably because of their marvelous accomplishments in the earliest recorded time, by traversing the seas and distributing to the rest of the world the wares of Egypt and Babylon. Through the Arabian caravans Phœnicia obtained the

NATIONAL ISSUES OF 1916

spices and perfumes of India. To Cyprus she went for her copper and ship-building timber; to Paros for her marble. Her colonists have been traced all along the shores of the Mediterranean to the coast of the Atlantic as far as Ireland. She brought her tin from Spain and Cornwall. She sent an expedition to circumnavigate Africa.

CARTHAGE

Then in succession for more than a half a thousand years, from the sixth to the second century, B.C., the Carthaginians were the rulers of the known seas and they reached their culminating glory through the influence of overseas navigation.

Their achievements attracted and their accumulations tempted the Romans, who, in turn, became the rulers of the commercial world, whose boundaries were set alone by ocean trade, which in time gave them the whole world, on both land and sea, for the next five hundred years.

NORSEMEN

As Rome, rotting at the heart, fell under the overpowering, successful and ever-advancing blows of the Goths and Vandals, Alaric, leading them in A.D. 410, the Norsemen and the Danes, and their kinsfolk, in turn, beginning their invasions by sea in A.D. 787, became the dominant peoples of northern Europe, and solely as a result of their seamanship the British Isles, France and Germany became their colonies.

VENICE

In A.D. 810 the people who made Venice located upon some worthless bogs and salt-encrusted islands, she began

AN AMERICAN MERCHANT MARINE

making the most remarkable history ever achieved by a single city in all the records of the human race. But it was essentially and exclusively the story of achievements resulting from overseas trade. What Venice became she was because of the life of the Venetians on the water. The thickets, which here and there diversified the surface of the barren marshes, produced no serviceable timber. She had no mineral wealth of any kind, and even drinkable water was hardly obtainable.

“New enterprises were entered on, samples of Oriental industry with all their splendor of color and delicacy of pattern were brought home; glass, enamels, tapestries, served as models to the deft artisans who drew from them new inspiration, and rediscovering the secrets of the smiths’ and potters’ and glass-blowers’ art, reproduced the artistic triumphs of their Oriental masters. Nor were letters neglected; rich and ancient manuscripts were brought from Greece; a friendly asylum was offered to exiled men of genius and learning and freedom of thought and intellectual independence began to be exercised.”

The overseas trade developed every conceivable activity from the creation of a great salt trust, by which Venice controlled the salt trade of all central Europe, to the very highest expression of artistic feeling of their time. First, it was contact with all the known world through her shipping interests. Second, it was control of the ocean commerce. Third, it was indisputable naval supremacy for well nigh eight hundred years.

SPAIN AND PORTUGAL

In the meantime, in the latter part of the fifteenth century, there had grown up in the then far West, Spain and Portugal, an overseas traffic which led both of these countries into exploring enterprises. In 1492 Columbus

discovered this continent; in 1512 Ponce de Leon discovered Florida; in 1516 Balboa crossed the Isthmus of Darien and took the first look upon the Pacific.

These events were the beginning of the relatively new age in which we are living, and the overseas trade of these countries led up to the golden age of Spain a century later,—the period of Velasquez. If we should subtract the result of the influences of the ocean-commerce of Spain and Portugal from the sum total of their contribution to the worth-while achievements of the human race, little of significance would be left to chronicle.

HOLLAND

In the early part of the sixteenth century shipping became an important, if not the leading occupation of the Dutch, and by the first half of the seventeenth century reached its zenith, when Cromwell, in true English style, determined to appropriate her shipping as a part of the rightful assets of Great Britain.

Holland had become the entrepôt of all Europe, the various cities having their special work appointed to them. Flushing had the West India trade, Middelburg had the French wines, Haarlem made linens, Delft made hardware, Zaandam built ships. Amsterdam, the chief city, had the East India trade, and that of Spain and the Mediterranean. Their carrying business had now reached from the Gulf of Bothnia to the farthest Indies. The first half of the seventeenth century, the period of the highest overseas commercial achievement, was the golden age of Holland in art and literature as well,—it was the time of Rembrandt, 1607-1669.

ENGLAND

From the passage of the Navigation Act in 1651, whose object was to take all shipping away from Hol-

AN AMERICAN MERCHANT MARINE

land, down to this time, Great Britain has dominated the overseas trade, with a slight intrusion owing to the progressive policies of Colbert in France, and our rightful participation in ocean traffic from 1790 to 1830. From that year down to this hour we have gradually but methodically played into the hands of England, though, it may be said, inadvertently.

The most significant and glorious history of England is written in the story of her civil and naval achievements on the sea.

GERMANY AND JAPAN

During the last twenty-five years both Germany and Japan have been contesting Great Britain's exclusive right to do all the ocean-carrying trade, and a careful review of the concurrent effect of their participation in the overseas commerce of the world upon the growth, power and importance of these two enterprising, progressive nations, will disclose the significant fact that in their cases, as in those of Phœnicia, Carthage, Rome, the Norsemen, Venice, Spain and Portugal and Holland, overseas shipping, with all its incidents and all that it implied, has done more to make these two peoples powerful factors and consequential forces to be reckoned with than all other things combined.

England, Germany and Japan are referred to and their future places have been discussed, not by way of animadversion, but by way of commendation rather, for their enterprise in taking advantage of every opportunity; and, opportunities failing, for creating them and at once seizing them. Because enterprise is the yeast that keeps the national spirit alive. Were it not for national spirit the world would die of "dry rot." Every nation has two natural enemies that are always at work,—decay from within, aggression from without,—and of the

two, the former has always proved the more deadly and, almost invariably, the precursor of the latter.

The overwhelming evidence of all history justifies what Bismarck said when he used these words:

“The merchant service is the handmaid of all other industries, and of agriculture, manufactures and commerce. On the day when the freight trade is given over to foreigners a mortal blow will be dealt to all the industries of the country.”

Indeed this overwhelming evidence justifies what Sir Walter Raleigh said:

“Whosoever commands the sea commands the trade; whosoever commands the trade of the world commands the riches of the world, and consequently the world itself.”

THE UNITED STATES

In adjusting our differences with Mexico we should demand and insist, in the interest of International peace and in the interest of civilization itself, that as a part consideration, Mexico shall cede to us Lower California and the Gulf of California.

With this one all-important, this necessary precaution taken, with our outposts on our east coast and 500,000,000 people directly across the Atlantic, needing much that we can supply, with our outposts on our west coast and more than 500,000,000 people directly across the Pacific desiring to exchange commodities with us, with the rapidly developing countries to the south of us, and with a domain of 3,200,000 square miles of territory richer in natural resources than any other like region on the surface of the globe, national development and national achievements that have had no parallel in all history await us. But these things may all prove a mere house of cards. And they will all prove worse than a mere

AN AMERICAN MERCHANT MARINE

house of cards, unless we comprehend the full meaning of the situation and undertake with unflagging zeal and patriotic purpose to execute the great human trust of world significance that has been committed to us for high and noble purposes.

Fenimore Cooper wrote words of wise caution and sound advice when he said:

“Every form of government has evils peculiar to itself. In a democracy there exists a standing necessity for reducing everything to the average comprehension, the high intelligence of a nation usually conceding as much to its ignorance as it imparts. One of the worst consequences, in a practical sense, of this compromise of knowledge is to be found in the want of establishments that require foresight and liberality to be well managed, for the history of every democracy has shown that it has been deficient in the wisdom which is dependent on those expenditures that foster true economy, by anticipating evil and avoiding the waste of precipitation, want of system and a want of knowledge.”

One of the most fair-minded, the most philosophical, and the most observing men of our time, Charles W. Eliot, recently gave expression to these suggestive and momentous words, which ought to be read by every man who holds dear our “precious ideals of public liberty and justice”:

“It has been obvious for more than a year past that democracy as a form of government is on trial before the whole civilized world.

“First, can it be as efficient as modern autocracy in war? Today no one can answer that question with confidence. If the free governments cannot organize and maintain as effective armies and navies as the autocratic governments can, and fight as well as the autocratic governments do, they will not survive the attacks of despotic governments which possess as great natural resources as the free governments and use them with more skill and greater concentration of purpose. Such attacks on free institutions must be expected

NATIONAL ISSUES OF 1916

and provided against, for it has been demonstrated that there exist in Europe strong autocratic governments which are ambitious to rule not only their neighbors, but the world.

“Secondly, has democracy been as efficient as autocracy in promoting the public welfare during periods of peace? Clearly the answer must be no—in view of Germany’s achievements since 1850. It has been made plain by the great war in Europe that industrial, financial and civil efficiency are all necessary to military efficiency.

“If then the free governments are to continue to live in Europe, or in the world at large, they must prove themselves to be at least as effective as autocratic governments in making the people governed healthy, strong and industrially productive; must show themselves capable of developing industrial, commercial and financial efficiency, as well as military, equal to that developed by any ‘grace of God’ despotism or oligarchic autocracy, and also of inspiring their people with intense, disinterested, patriotic devotion, which has its roots deep in love of liberty, independence of character, an enterprising habit of mind and the voluntary practice of cooperation with others in pursuit of common ends.”

RULES FOR POLICY

For our guidance in forming a national policy to pursue, if the “Ark of the Covenant” of this Democratic Republic is to be preserved and handed down from generation to generation through the centuries to come, we must keep steadily in view these five essential facts:

First. That throughout all recorded time overseas trade and naval power have been the determining factor in the advance of civilization and in nearly all wars.

Second. That through all recorded time nations which have followed the sea have been the bravest, most intelligent, most powerful and at the same time the most refined of all the world, and that the periods of their greatest achievement and highest attainment have

AN AMERICAN MERCHANT MARINE

been coincident with their control of sea or ocean commerce.

Third. That an efficient navy never has been created and successfully maintained unless founded upon a Merchant Marine, both being commensurate with the needs of the nation. When respectively of the highest utility they always have been and always must be the essential counterparts of each other in the administration of government.

Fourth. That never before were such gracious gifts of almost unlimited opportunity showered upon any nation as upon our own at this time; but that they carry with them corresponding responsibilities.

Fifth. That the efficiency of any government will be measured by the realization on the part of the average citizen of the greatest degree of productivity and happiness and by the aid given to the individual citizen to make the most of his peculiar talents, in the interest of himself, his family and his country.

HOW SHALL WE BUILD OUR MERCHANT MARINE?

First. It may be built, indeed it will be built, by the American people *voluntarily* if they are given the opportunity of doing so upon equal terms with other nations.

Given equal terms, in accordance with the plan outlined, we will realize sufficient revenue to build a Navy always the counterpart of our Merchant Marine, and *nine-tenths of the amount will be paid by foreigners for the privilege of doing business in this country, or for the privilege of doing our carrying for us.* The annual income will approximate \$200,000,000 in the outset. The amount saved to our national wealth annually, when we have developed our Merchant Marine sufficiently to do our own work upon the ocean, will amount in the

NATIONAL ISSUES OF 1916

average, during the next twenty-five years, to more than \$300,000,000 annually, or \$7,500,000,000.

Will it be suggested that other countries will retaliate?

Our forefathers were not "too proud to fight" and were brave enough to demand their rights, and proceeded to pass laws that secured them. What are we going to do under precisely the same circumstances?

Undoubtedly if it would *pay* any country it would retaliate, at least it ought to; but will it pay any country? From the ocean-carrying countries we get finished commodities and sell them their food and raw materials which they cannot afford to burden with taxes.

PURCHASE OF SHIPS

Second. It may be suggested that we ought to buy our ships abroad. This plan will prove utterly futile, and such a plan should not be followed even though our ships could be purchased abroad and be successfully operated.

On the 24th of August, 1912, we passed a law providing that American citizens could purchase foreign vessels which were not over five years old and register them under the American flag. From the time this law was passed, August 24, 1912, down to August 18, 1914,—after the European war had started,—a period of more than two years, not a single ship was purchased and registered under the American flag. This fact proves conclusively that the plan was impractical and utterly futile. But if it were otherwise we should for obvious reasons build our own ships in our own shipyards.

Thomas Jefferson spoke words of profound wisdom when he said:

"For a navigating people to purchase its marine afloat would be a strange speculation, as the mariner would also be dependent upon the merchants furnishing them.

AN AMERICAN MERCHANT MARINE

“Placing as a reserve with a foreign nation or in a foreign shipyard, the carpenters, blacksmiths, caulkers, sail-makers and the vessels of a nation, would be a singular commercial combination.”

Again he said:

“Our navigation involves still higher considerations. As a branch of industry it is valuable, but as a resource of defense, essential.

“Its value as a branch of industry is enhanced by the dependence of so many other branches on it. In times of general peace it multiplies competitors for the employment in transportation and so keeps that at its proper level; and in times of war, that is to say, when those nations who may be our principal carriers, shall be at war with each other, if we have not within ourselves the means of transportation, our produce must be exported in belligerent vessels, at the increased expense of war freight and insurance, and the articles which will not bear must perish on our hands.”

But will Mr. Redfield, Secretary of Commerce and Labor, say that we have been buying ships recently and registering them under the American flag? We have, but on what conditions, and under what circumstances?

On August 18, 1914, an act was passed allowing any foreign-built vessel, regardless of her age, if American owned, to come under American registry, and giving the President the right to issue his proclamation exempting such vessels from all of the provisions of the United States Steamboat Inspection laws, rules and regulations in respect to safety and otherwise, and also exempting the vessels from our admeasurement and survey laws, and from the employment of American officers. On September 4, 1914, President Wilson issued his proclamation for two years exempting all such vessels from the requirements of the inspection, admeasurement and survey laws, and for seven years exempting such vessels from the employment of citizens of the United States as watch officers, which means masters, mates and engineers.

NATIONAL ISSUES OF 1916

Such a policy as the President has established by his order would mean the complete destruction of every shipyard that was dependent upon ship-building for foreign trade. But it is in perfect accord with all the other destructive measures put in operation by this Administration.

Hardly a greater curse could be visited upon this country than such a policy.

There has been, according to E. T. Chamberlain, Commissioner of Navigation, an increase of 523,361 gross tons during this time. Every pound of it has come in: (a) because not required to conform to our registration laws; or (b) because these people want to hide temporarily behind the screen of our flag. When this war is over every one of these vessels and more of them will flee us as a pestilence, because conditions will be such as to bankrupt them if they should continue under our flag.

Again Mr. Chamberlain, Commissioner of Navigation, says with regard to the transfer of ships to American registration under this act:

“A total of 148 vessels of 523,361 gross tons were transferred from foreign flags to the American flag and register. These transfers, however, unlike those of 1863-1864, in very few cases involved a change in the actual beneficiary ownership, but only a change in ownership of record, possibly only through the passage of the Act of August 14, 1914, which enabled American owners to secure American register and the use of their own flag for ships built in foreign countries. The transfer of very few of these ships, accordingly, involved an increase in the investment of American capital in maritime ventures. They represent in all an investment of \$33,392,-756.58, but Americans had invested nine-tenths of this capital in these ships long before the outbreak of the European War. At prices current during the year these ships, if purchased, would have cost much more than the amount stated.”

At this juncture when ships could not live under our flag in ordinary times, and are simply transferred for the

AN AMERICAN MERCHANT MARINE

protection of our flag, Mr. Redfield, Secretary of Commerce and Labor, has the hardihood to propose that none of these vessels be allowed to retransfer to foreign flags after the war is over.

Such a step on the part of the government would be as foolish and unjust and as nugatory in the end and no more rational than it would to compel Mr. Redfield himself to continue to act all the rest of his life precisely as he would act after swallowing a quart of brandy and two quarts of champagne. However, that might not make so much difference in his particular case.

SUBSIDY PLAN

Third. There are some who think that we should adopt the subsidy or subvention plan.

But there are three very good and substantial reasons why we should not try this plan: (a) The Constitution of the United States has provided in express terms another and different way, and therefore, under the well-established rule of construction, subsidies and subventions can only be used to pay for actual services rendered. The Constitutional method is, "to regulate commerce with all nations and among the several states," precisely as the founders of this government did. (b) There is a popular prejudice against the practice of granting subsidies and subventions which seems well-nigh insuperable, and therefore under all the circumstances as a matter of practical legislation it should not be resorted to except as a last resort. (c) It cannot succeed as a policy, if foreign nations should proceed to grant equal subsidies to their respective shipping interests. For all countries have a decided advantage over us in many other respects which can only be overcome through the upbuilding of large shipping, banking, mercantile and insurance interests; and even then, the

NATIONAL ISSUES OF 1916

Lloyds Register, favors of rebates, and the power of combinations and trusts are still to be taken into account and reckoned with. (d) Again it should not be forgotten that we have already tried this plan upon several occasions, and have succeeded only partially for a time, invariably failing in the end. And even where it had succeeded in some slight measure it always became a political question and the consequence was a repeal.

GOVERNMENT-OWNED MERCHANT MARINE

Fourth. It is now proposed to have "*a government-owned Merchant Marine.*" Such a plan should not be thought of so long as any other remains untried, because it is obnoxious to the fundamental principles of our government, which are that the government should not undertake to do anything that its citizens ought to and can do better. We do not want to adopt socialism in this country; but we do want to develop the principle of cooperation and self-help. The policy of this government should be to make of every individual citizen a self-reliant, self-supporting, self-respecting, strong, independent, individual man. Unless we accomplish this, the very object of this Democratic Republic will prove a lamentable failure and over its ruins will rise a government of Autocracy.

The objections to a government-owned Merchant Marine are obvious and many, and such a scheme could not pass either the House or the Senate without blind idolatry of party success, or a slavish devotion to the fetish of party loyalty, or without the purchasing power of the putrid pap of patronage to buy its way.

(a) The first objection to a government-owned Merchant Marine is, that such a proposition has never been brought before the American people through the platform declaration of any party and should not be entered

AN AMERICAN MERCHANT MARINE

upon without a country-wide discussion, and approval by the people.

(b) The second objection is that the President himself has given his solemn word that he *never would propose anything new*, until after his party had declared for it in convention. He used this language, *and ought to be bound by it, if he can be bound by anything he says*.

On December 14, 1913, to a delegation of fifty-five women, headed by Dr. Shaw, he said, by way of evasion or crawling out of what he then thought was a close corner:

"I am the spokesman of a party. I set myself this very strict rule when I was Governor of New Jersey and have followed it as President, that I am not at liberty to urge upon Congress, in messages, policies which have not had the organic consideration of those for whom I am spokesman. In other words, I have not yet presented to any legislature my private views on any subject, and I never shall, because I conceive that to be part of the whole process of government, that I shall be spokesman for somebody, not for myself.

"When I speak for myself, I am an individual; when I speak for an organic body I am a representative. For that reason, you see, I am by my own principles shut out, in the language of the streets, from '*starting anything*.' I have to confine myself to those things which have been embodied as promises to the people at an election. That is the strict rule I set for myself."

Certainly a government-owned Merchant Marine is *something new*, for it has never before been thought of by anybody except the President and his Secretary of the Treasury. It certainly has never had the "*organic consideration*" of those for whom the President is spokesman. It certainly never has been *promised to the people at an election*.

But will this willowy worder tell us that an extraordinary condition, an emergency, has arisen and must be met, or the interests of the people will suffer?

NATIONAL ISSUES OF 1916

Let it be set down here as a fact that all the countries of Europe have passed laws prohibiting the sale and transfer of ships, and that he cannot buy either the interned vessels of Austria or Germany, because they will not sell their vessels to transport munitions of war to their enemies. Will it be suggested that possibly Austria and Germany would sell their ships if we should agree not to carry munitions of war to their enemies? Would it make any difference, at this juncture, which ships take the munitions of war and which ships take other commodities?

Let it be set down as another fact that there is not a shipyard in the United States that will now contract to deliver a single ship within the next two years, and that even if they should be able to do so under present conditions, the price would be from seventy-five to eighty per cent higher than it was before the war began, and in all likelihood one hundred per cent higher than it will be at the close of the war when the reaction sets in; for the depression in shipping will make ships a drug on the market.

Let it be set down as a third fact that while there is a shortage of ships for European trade there is no shortage in the South American trade, although the price of carriage is high at the moment through sympathy with shipping generally.

Let it be set down as a fourth fact that this administration could not, if it had the power to do so, add a single ship to the ocean trade in any part of the world, as everything that is fit to float is already engaged and loaded to the limit every time it moves.

If the President was really honest in his *pretended desire for common council* he would, under the circumstances, put his "government ownership plan" into his coming platform and ask the people what they think of it; for so far as they have had an opportunity of expressing themselves they are practically unanimous

AN AMERICAN MERCHANT MARINE

against it. Every board of trade and chamber of commerce that has expressed any opinion at all is utterly opposed to it.

"The Chamber of Commerce of the United States of America," which is an association of nearly all such bodies in the country, determines its policy with regard to all public questions by a referendum to its constituent members. Two ballots were recently taken bearing upon the President's proposition, with the following results:

(1) Do you favor the government undertaking the purchase, construction or charter of vessels for mercantile purposes together with the operation of such vessels?

89 votes in favor and 690 votes opposed.

(2) Do you favor ownership of merchant vessels by the government, but with private operating by parties under lease?

51 votes in favor and 713 votes opposed.

It is to be observed and remembered that *the President never wants "common council" unless it is the kind of "common council" he wants.*

In the light of these facts is it not astonishing, is it not astounding, that the President should have used this language in his message on December 7, 1915:

"But capital cannot accomplish this great task of a sudden. It must embark upon it by degrees, as the opportunities of trade develop.

"Something must be done at once; done to open routes and develop opportunities where they are as yet undeveloped; done to open the arteries of trade where the currents have not yet learned to run—especially between the two American continents, where they are, singularly enough, yet to be created and quickened, and it is evident that only the government can undertake such beginnings and assume the initial financial risks. When the risk has passed and private capital begins to find its way in sufficient abundance into these new channels, the government may withdraw. But it cannot omit to begin. It

NATIONAL ISSUES OF 1916

should take the first steps, and should take them at once. Our goods must not lie piled up at our ports and stored upon side-tracks in freight-cars which are daily needed on the roads; must not be left without means of transport to any foreign quarter. We must not await the permission of foreign ship-owners and foreign governments to send them where we will.

“With a view to meeting these pressing necessities of our commerce and availing ourselves at the earliest possible moment of the present unparalleled opportunity of linking the two Americas together in bonds of mutual interest and service, an opportunity which may never return again if we miss it now, proposals will be made to the present Congress for the purchase or construction of ships to be owned and directed by the government similar to those made to the last Congress, but modified in some essential particulars.”

Did it occur, could it possibly have occurred, to the President how many false assumptions there are in this recommendation?

First. He declares “capital cannot accomplish this great task of a sudden.” *If given an equal opportunity it can and will do it quicker and better than the government possibly can, and at a ratio of ten to one.*

Second. “Something must be done at once.” He could not add a single ship to those now in service if he had \$100,000,000 in the bank, because they are all doing all they can *now*.

Third. “Done to open routes and develop opportunities where they are yet undeveloped.” Private capital looking for opportunities and working in connection with shipping lines representing the same interest will develop a hundred avenues of trade where the government would develop none. Nothing is better established than the fact that overseas trade depends upon the cooperation of many different forces which are identified with each other,—banking, merchandising, insurance, etc.

Fourth. “When the risk has passed and private capi-

AN AMERICAN MERCHANT MARINE

tal begins to find its way in sufficient abundance into these new channels the government may withdraw."

Let James A. Farrell, President of the United States Steel Corporation, and Robert Dollar, one of the best-informed and recognized as the leading shipping man of the United States, speaking for "The National Foreign Trade Council," answer the President. In their report upon the President's proposal they said:

"In the event of government ownership and operation of merchant vessels becoming a settled policy, the problem of the future of American shipping will solve itself by the *extinction* of private endeavor."

Fifth. "Our goods must not lie piled up at our ports and stored upon the side-tracks in freight-cars which are daily needed on the roads; must not be left without means of transport to any foreign quarter."

The inference that the President expects the "dear people" will draw from these words necessarily is that the next morning after his Shipping Bill is passed Mr. McAdoo will appear with a hundred or a thousand ships, if necessary, and take all these goods away, and that the cars will be set free to bring down some more war munitions *as long as the war lasts*. But let the President take notice that there will be plenty of empty cars when the movement of war material is over, and that the men now engaged in producing them shall be, as they certainly will be, without employment and therefore without the means of purchasing their support.

Why this attempt to delude the people when he must know that neither he nor Mr. McAdoo could add a single ship to those now employed for two years if the war should last so long?

Sixth. "And availing ourselves of the earliest possible moment of the present unparalleled opportunity of linking the two Americas together in bonds of mutual

NATIONAL ISSUES OF 1916

interest and service, an opportunity which may never occur again if we lose it now."

It is a fact that there is no shortage now of ships running to the South American countries; and it is also a fact that we can get the South American markets whenever we can furnish them with the goods they want at lower prices than anyone else, upon a longer credit and at lower rates of interest; and it is also a fact that as soon as we fail to do these things we shall lose the South American market. That is all there is to the South American question.

Is it possible that the American people are going to be fooled by such talk? It is not even good buncombe. It is pure bosh. It is unadulterated balderdash. These words, taken from the President's message, are an insult to every intelligent man.

Speaking of this administration and its Shipping Bill, the leading Democratic paper in the United States, the *New York Times*, had this to say, editorially, October 9, 1915:

"It has addressed sympathetic words to business, but its acts have shown that it does not understand business. This very proposal is a threat to business, made at a time when most unsuitable on business considerations. There is no suggestion that the proposed government shipping can or should be proposed with any reference to current events. We could not possibly provide ourselves with government owned and operated naval auxiliaries during the present war. If we were to attempt it we should do so at the time of greatest cost, when there is every prospect that after the war there will be inexhaustible supplies of shipping at bargain rates. The time is inopportune, although the Secretary thinks otherwise, because he can see nothing he does not wish to see."

LA FOLLETTE BILL

What a strange, what an anomalous situation this administration presents to the country. While it vocif-

AN AMERICAN MERCHANT MARINE

erously pretends that it wants to help shipping, it passes the La Follette Bill and drives every American ship out of the trans-Pacific trade. Here is the death-knell in a farewell telegram:

"To the Good People of San Francisco:

"The Great Northern steamship 'Minnesota,' the finest ship that ever sailed the seas and the largest ship flying the American flag, is now passing down your beautiful city bound to a foreign country, never again to return with Old Glory flying over her stern. The reason for this is well known to all the business interests of the country. I bid you all farewell.

*"THOMAS W. GARLICK,
"Commander Steamship 'Minnesota.'"*

This is one of the Merchant Marine building achievements of the present administration. Evidently the administration did not know enough to know that the La Follette Bill was a death-warrant to the American flag on the Pacific.

On October 16, 1915, there appeared in the public press a report from Consul-General Anderson of Hong Kong, in which he said:

"The Japanese interests through the subsidies are to control rates for the benefit of Japanese trade with a steady discrimination against American commerce.

"Japan has ordered a general advance of rates on cargoes from the Puget Sound ports to the East. Rates from Japan to the United States will continue as they are.

"In this way Japan apparently intends to enjoy absolute control of traffic between this country and the Far East. The new rates are \$9 a thousand feet on lumber to Japan and \$11 to Manila. The advanced rate on flour is to be \$5.58 a barrel to Japan and \$6 to Manila. The significance of the new schedule is that it applies to American freight outbound rather than to Japanese freight bound for the United States. Rates on Japanese exports will not be increased. This has always been the policy of the Japanese government.

NATIONAL ISSUES OF 1916

“Work now in hand at the various plants in Japan is reported to amount to more than fifty large boats.”

Here is a direct attack upon the American farmer and American manufacturer by compelling them to pay double freight rates simply because Japan controls the situation.

THE MANIA OF THIS ADMINISTRATION

At whatever cost of consistency or character, this Administration seems to be obsessed with a determination to pass new, strange, striking, ill-advised, ill-digested and ill-designed legislation affecting important public matters without any comprehension or appreciation or apparent care of what the consequences may be. The La Follette Bill belongs to this category.

Well-authenticated statements are now made that when “The Federal Reserve Bank Act” was in its birth throes, with a doubtful future, La Follette, who was opposed to the measure, was, by some strange influence, brought to its support. It now appears that subsequently when the La Follette Bill was in its birth throes, with a doubtful future, several United States Senators supported it upon an understanding with the President that he was to veto the measure if it passed; but that it slipped through the slimy sluiceway that was prepared for it when La Follette’s support was secured for “The Federal Reserve Bank Act,” which, unless repealed, will prove to be the most stupendous economic blunder ever committed in the commercial life of this nation.

It now appears that there may be some subterranean connection between the death-dealing La Follette Bill and the proposed Ship-Purchase Bill, for which not a single justifiable reason can be given,—not one.

After these ignorantly drawn and destructively devised measures are driven through by caucus edicts the office

AN AMERICAN MERCHANT MARINE

of the attorney-general is called upon to emasculate them by rules and interpretations. However, when they are dragged before the courts for trial their hideous natures and evil consequences are revealed and the penalties paid.

We have an illustration in the tariff five-per-cent discount clause, which will probably extract from a bankrupt treasury \$10,000,000, or possibly \$20,000,000, before it is rectified.

We have the Federal Reserve Board now taking the most astounding liberties with the new bank act,—doing things utterly at variance with the terms of the statute. And we also have the La Follette Act so mutilated, twisted and changed by official dictum that even the author would have trouble in recognizing his own handiwork.

The point is that the Administration seems bent on passing half-baked laws, whether wise or unwise, whether right or wrong, whether good or bad,—*the only object being the passage of something of seeming importance, regardless of all consequences.* But of all the inadvisable, inexcusable, inherently vicious legislation, this Ship-Purchase Bill stands quite alone, for it has not even upon its face a single redeeming feature, and cannot serve a single purpose, except to destroy all possibility of building up a genuine Merchant Marine worthy of our country and of the name,—so long as it may cumber the statute books and curse the country.

There is not a single reason why this Ship-Purchase Bill cannot be passed one year from now as well as now, if the people should want it, for not a single ship can be added to our shipping within a year because they are now all in the trade, and ship-building concerns are over-contracted far beyond that time.

The President prates about "*pitiless publicity,*" and then practises the most pitiless, inexcusable, reprehensible and brutal secrecy by withholding the opinions of

NATIONAL ISSUES OF 1916

our Army and Navy boards from the people who have educated these men to defend their country and to tell them how to defend it. The people who pay the taxes have just as much right to know all the facts in connection with the defense of this country as the President has; and, not being "too proud to fight," it is far more important that they should know all the facts than that he should know them. What right has the President to withhold the facts? to suppress the facts? The people are the jury, and therefore entitled to know the facts,—all the facts.

The President prates about "*seeking common council*," but with the power of patronage in one hand and the caucus bludgeon in the other he proceeds brutally to take every precaution to prevent the people from expressing their opinion at the polls in November, 1916.

The American people have been partially asphyxiated by verbal gases, and partially blinded, temporarily, by the phosphorescence of a superheated imagination surcharged with a sickly sentimentality and old, exploded theories. But the people have been recovering and are breathing more freely and seeing more clearly.

No longer will the people be misled by a moral glamour of meaningless suggestiveness, for the methods, blunders, failures, shocking and mercenary indifference where the rights and lives of our citizens have been at stake, and the contemptible cowardice of this Administration where the honor of the nation has been involved, now fill the foreground of national affairs.

If ours is, indeed, a government "of the people, by the people and for the people," then no such socialistic, paralyzing policy as this government-owned Merchant Marine Bill proposes should be installed in this country until the people have willed and approved it by electing a party to power which is committed to it. Let the people speak before the government takes this wild, this reckless plunge into socialism.

APPENDIX "A"

TONNAGE, AND COMPARATIVE CARRIAGE IN FOREIGN TRADE, BEFORE AND AFTER RECIPROCITY AGREEMENTS

No.	COUNTRY	Date of Effect	Agreement Term	Foreign Trade Shipping	Proportion of Our Carriage in Foreign Trade	
					Imports	Exports
		Years.	Years.	Tons.	Per Ct.	Per Ct.
	BEFORE ADOPTION OF RECIPROCITY	1789	.....	* 123,893	17.5	30.
		1790	.....	* 346,254	41.	40.
		1791	.....	* 363,110	58.	52.
		1792	.....	* 411,438	67.	61.
	(*Tonnage of Arrivals.)	1793	.....	367,734	82.	77.
		1794	.....	438,863	91.	86.
		1795	.....	529,471	92.	88.
		1796	.....	576,733	94.	90.
		1797	.....	597,777	92.	88.
		1798	.....	603,376	91.	87.
		1799	.....	657,142	90.	87.
		1800	.....	657,107	91.	87.
		1801	.....	630,558	91.	87.
		1802	.....	557,760	88.	85.
		1803	.....	585,910	86.	83.
		1804	.....	660,514	91.	86.
		1805	.....	744,224	93.	89.
		1806	.....	798,507	93.	89.
		1807	.....	810,163	94.	90.
		1808	.....	765,252	93.	88.
		1809	.....	906,855	88.	84.
		1810	.....	981,019	93.	90.
		1811	.....	763,607	90.	86.
	(War with England)	1812	.....	758,636	85.	80.
		1813	.....	672,700	71.	65.
		1814	.....	674,633	58.	51.
		1815	.....	854,295	77.	71.
	PARTIAL RECI'Y					
1	Great Britain ⁴	July 1815	4	854,295	77.	71.
		1816	.....	800,760	73.	68.
2	Netherlands (Act)	1817	⁹ Ind.	804,851	79.	74.
	Sweden and Norway ⁴	Sept. 1818	8	589,954	85.	80.
	Great Britain ⁴ ...	1818	10	589,954	85.	80.
		1819	.....	581,230	87.	82.
		1820	.....	583,657	90.	89.
		1821	.....	593,825	92.7	84.9
3	France.....	Oct. 1822	⁶ 2	582,701	92.4	84.1
		1823	.....	600,003	92.1	87.4
		1824	.....	636,807	93.4	88.7
	*(Carriage Climax)	1825	.....	665,409	95.2	89.2
4	Denmark ²	Apr. 1826	⁷ 10	696,221	*95.	*89.6
5	Central America ³	Aug. 1826	⁸ 12	696,221	95.	89.6
6	Hanseatic Rep. ³	Dec. 1827	⁷ 12	701,517	94.3	87.5
	Sweden and Norway ¹	Jan. 1828	⁷ 10	757,998	91.4	84.5
	Great Britain ¹	Oct. 1828	⁷ Ind.	757,998	91.4	84.5
7	Brazil ²	Dec. 1828	⁷ 12	757,998	91.4	84.5
8	Prussia.....	Mar. 1829	⁷ 12	592,859	93.	86.
	FULL RECIPROCITY					
	British N. A. Colonies (Act)....	Oct. 1830	⁹ Ind.	537,563	93.6	86.3
9	Austria-Hungary	Feb. 1831	⁷ 10	538,136	91.	80.6

NATIONAL ISSUES OF 1916

No.	COUNTRY	Date of Effect	Agreement Term	Foreign Trade Shipping	Proportion of Our Carriage in Foreign Trade	
					Imports	Exports
		Years.	Years.	Tons.	Per Ct.	Per Ct.
10	Mexico ⁵	Apr. 1832	⁷ 8	614,121	89.4	75.8
11	Russia.....	May 1833	⁷ 6	648,869	90.7	75.5
		1834	.....	749,378	89.	74.4
		(9 mo.) 1835	.....	788,173	90.2	77.3
12	Venezuela ²	May 1836	⁷ 12	753,094	90.3	75.4
		1837	.....	683,205	86.5	77.6
13	Greece.....	June 1838	⁷ 10	702,962	90.6	82.8
14	Sardinia ³	Mar. 1839	⁷ 10	702,400	88.7	78.3
15	Netherlands ⁴	July 1839	⁷ 10	702,400	88.7	78.3
16	Hanover ⁴	May 1840	⁷ 12	762,838	86.6	79.9
17	Portugal ²	Aug. 1840	⁷ 6	762,838	86.6	79.9
		1841	.....	788,398	88.4	77.8
18	Ecuador ²	(9mo.) 1842	⁷ 12	823,746	88.5	76.3
		1843	.....	856,930	77.1	77.
		1844	.....	900,471	86.7	70.5
19	Two Sicilies ⁴	Dec. 1845	⁷ 10	904,476	87.3	75.8
20	Belgium ²	Mar. 1846	⁷ 10	943,307	87.1	76.2
	Hanover ³	June 1846	⁷ 12	943,307	87.1	76.2
21	Oldenburg ³	Mar. 1847	⁷ 12	1,047,454	77.2	65.3
22	Mecklenburg-Schwerin ³	Dec. 1847	⁷ 10 ¹ / ₂	1,047,454	77.2	65.3
	Mexico ¹¹	May 1848	⁷ 8	1,168,707	82.9	71.1
23	New Granada ³ ...	June 1848	⁷ 20	1,168,707	82.9	71.1
		1849	.....	1,258,756	81.4	68.9
24	Hawaiian Is. ³	Aug. 1850	⁷ 10	1,439,694	77.8	65.5
		1851	.....	1,544,663	75.6	69.8
25	Guatemala ²	May 1852	⁸ 12	1,705,650	74.5	66.5
26	Costa-Rica.....	May 1852	⁷ 7	1,705,650	74.5	66.5
27	Salvador ⁴	June 1852	⁷ 20	1,705,650	74.5	66.5
28	Peru ²	July 1852	⁷ 10	1,705,650	74.5	66.5
	Netherlands ¹	Feb. 1853	⁷ 2	1,916,471	71.5	67.1
29	Argentine Republic	Dec. 1854	None	2,151,918	71.4	69.3
		1855	.....	2,348,358	77.3	73.8
	Two Sicilies ³	Nov. 1856	⁷ 10	2,302,190	78.1	70.9
		1857	.....	2,268,196	71.8	60.2
	Denmark ¹	Jan. 1858	⁷ Ind.	2,301,148	72.	75.
	Belgium ²	Apr. 1859	⁷ 10	2,321,674	63.7	69.9
30	Paraguay.....	Mar. 1860	⁷ 10	2,379,396	63.	69.7
	Venezuela ²	Aug. 1861	⁷ 8	2,494,894	60.	72.1
31	Ottoman Porte ² ..	June 1862	⁷ 28	2,173,537	44.8	54.5
32	Bolivia.....	Nov. 1862	⁷ 10	2,173,537	44.8	54.5
33	Liberia.....	Feb. 1863	None	1,926,886	43.3	40.
		1864	.....	1,486,749	24.6	30.
34	Honduras.....	May 1865	⁷ 7	1,518,350	29.9	26.1
35	Haiti.....	May 1866	⁷ 8	1,387,756	25.1	37.7
36	Dominican Rep. ²	Oct. 1867	⁷ 8	1,515,648	28.	39.1
37	Nicaragua *.....	June 1868	⁷ 15	1,494,389	33.	36.6
38	Madagascar ⁴	July 1868	None	1,494,389	33.	36.6
		1869	.....	1,496,220	31.3	34.9
		1870	.....	1,448,846	33.1	37.7
39	Italy.....	Nov. 1871	⁷ 5	1,363,652	31.	32.6
		1872	.....	1,359,040	26.8	29.8
		1873	.....	1,378,533	27.	25.7
	Salvador ²	Mar. 1874	⁷ 10	1,389,815	30.2	24.6
	Peru ²	May 1874	⁷ 10	1,389,815	30.2	24.6

APPENDIX "A"

No.	COUNTRY	Date of Effect	Agreement Term	Foreign Trade Shipping	Proportion of Our Carriage in Foreign Trade	
					Imports	Exports
		Years.	Years.	Tons.	Per Ct.	Per Ct.
40	<i>Belgium</i> ¹	June 1875	⁷ 10	1,515,598	29.2	23.7
		1876	.....	1,553,705	30.8	25.4
		1877	.....	1,570,600	31.5	23.7
		1878	.....	1,589,348	32.2	22.6
		1879	.....	1,451,505	31.6	17.6
		1880	.....	1,314,402	22.	13.7
		1881	.....	1,297,035	19.9	13.3
		May 1882	¹⁰ None	1,259,492	19.2	12.8
		Mar. 1883	None	1,269,681	20.7	13.4
		1884	.....	1,276,972	22.4	14.4
41	Spain (Islands) ⁵ Spain ⁵ (An Agreement)..... Peru ²	Oct. 1886	None	988,041	20.	13.6
		Sept. 1887	None	989,412	18.6	12.2
		Oct. 1888	⁷ 10	919,302	18.5	11.79
		1889	.....	999,619	17.08	11.62
		1890	.....	928,062	16.68	9.03
		1891	.....	988,719	15.85	9.26
		1892	.....	977,624	17.66	8.11
		1893	.....	883,199	15.45	8.79
		1894	.....	899,698	19.43	8.74
		1895	.....	822,347	15.49	8.22
42	Spain (As to Philippines)..... <i>Japan</i>	1896	.....	829,833	15.76	8.57
		1897	.....	792,870	14.97	8.10
		Dec. 1898	10	726,213	15.97	5.87
		July 1899	⁷ 12	837,229	12.36	6.87
		1900	.....	816,795	12.94	7.07
		1901	.....	879,595	11.99	6.12
		1902	*	*	12.1	6.6
		1903	.....	.....	12.9	7.1
		1904	.....	.....	14.3	7.5
		1905	.....	.....	15.5	9.6
		1906	.....	.....	14.8	9.9
		1907	.....	.....	13.2	8.5
		1908	.....	.....	13.5	7.2
		1909	.....	.....	12.1	7.3
		1910	.....	.....	10.0	7.5
		1911	.....	.....	10.2	7.5
		1912	.....	.....	11.0	8.1
		1913	.....	.....	11.4	9.1
		1914	.....	.....	11.4	8.3
1915	.....	.....	18.4	11.8		

MEANING OF INDICES

- ¹ Extension or renewal of term.
- ² Terminated by foreign country giving notice.
- ³ Merged into another country.
- ⁴ Superseded by later treaty or convention.
- ⁵ Terminated by war.
- ⁶ Convention at first protective on both sides; became non-protective in 1828; terminable after six months' notice.
- ⁷ Continuable by its own terms; terminable on one year's notice.

- ⁸ As to reciprocity articles only.
- ⁹ By Act of Congress repealable.
- ¹⁰ To be revised if desired after five years.
- ¹¹ Abrogated by treaty, 1853.
- Italics*—Countries we now have agreements with.
- Ind.—Term is indefinite, but terminable after one year's notice.
- * Notice of annulment by Nicaragua, 1901.
- None—No term stated.
- * When book went to press these figures were not at hand.

NATIONAL ISSUES OF 1916
FROM LLOYDS REGISTER OF SHIPPING
1890

	Steam	TONNAGE Sail	Total
BRITISH			
United Kingdom.....	7,774,644	2,467,212	10,241,856
Colonies.....	461,210	894,040	1,355,250
Total.....	8,235,854	† 3,361,252	11,597,106
American.....	517,394	1,306,488	1,823,882
Argentine.....	21,245	21,897	43,142
Austro-Hungarian.....	151,166	118,482	269,648
Belgian.....	106,467	4,104	110,571
Brazilian.....	67,707	81,359	149,066
Chilian.....	30,934	71,457	102,391
Chinese.....	44,558	1,282	45,840
Cuban.....			
Danish.....	159,072	120,993	280,065
Dutch.....	217,022	161,762	378,784
French.....	809,598	235,504	1,045,102
German.....	928,911	640,400	1,569,311
Greek.....	83,839	223,801	307,640
Italian.....	300,625	515,942	816,567
Japanese.....	138,431	33,123	171,554
Mexican.....	7,733	3,308	11,041
Norwegian.....	246,669	1,337,686	1,584,355
Peruvian.....	2,188	8,860	11,048
Portuguese.....	44,701	46,501	91,202
Roumanian.....	529	407	936
Russian.....	156,070	271,265	427,335
Spanish.....	414,817	119,994	534,811
Swedish.....	181,781	294,183	475,964
Turkish.....	71,607	158,170	229,277
Uruguayan.....	9,111	2,903	12,014
Other Countries.....	37,343	25,156	62,499
Total tonnage (of vessels of 100 tons and over).....			22,151,651

Gross tons shown in the case of steamers and net tons for sailing-vessels.

It will be noted that the tonnage doubled in about twenty years, being 22,151,651 in 1890, and 49,261,769 in 1915.

† Sail tonnage is now only a fraction of the steam.

APPENDIX "B"

FROM LLOYDS REGISTER OF SHIPPING

1915

	TONNAGE		Total
	Steam	Sail	
BRITISH:			
United Kingdom.....	19,235,705	305,663	19,541,368
Colonies.....	1,595,213	137,487	1,732,700
Total.....	20,830,918	† 443,150	21,274,068
American.....	4,854,748	1,037,891	* 5,892,639
Argentine.....	188,771	33,762	222,533
Austro-Hungarian.....	1,016,695	1,515	1,018,210
Belgian.....	269,252	7,175	276,427
Brazilian.....	302,513	14,901	317,414
Chilian.....	100,320	28,272	128,592
Chinese.....	97,536	543	98,079
Cuban.....	35,395	2,487	37,882
Danish.....	803,701	51,295	854,996
Dutch.....	1,498,519	24,028	1,522,547
French.....	1,909,609	376,119	2,285,728
German.....	4,419,167	286,160	4,706,027
Greek.....	892,991	15,734	908,725
Italian.....	1,513,631	222,914	1,736,545
Japanese.....	1,826,068		1,826,068
Mexican.....	39,294	3,388	42,682
Norwegian.....	1,977,809	551,379	2,529,188
Peruvian.....	28,608	25,141	53,749
Portuguese.....	92,425	30,301	122,726
Roumanian.....	54,210	393	54,603
Russian.....	851,951	202,811	1,054,762
Spanish.....	885,755	13,449	899,204
Swedish.....	1,021,796	101,087	1,122,883
Turkish.....	115,342	17,820	133,162
Uruguayan.....	36,561	11,179	47,740
Other Countries.....	65,623	28,967	94,590
Total tonnage (of vessels of 100 tons or over).....			49,261,769

Gross tons shown in the case of steamers and net tons for sailing-vessels.

It will be noted that the tonnage doubled in about twenty years, being 22,151,651 in 1890, and 49,261,769 in 1915.

* In 1913 the amount of tonnage in foreign shipping was 1,019,165; the remainder was engaged in coastwise trade and on the lakes.

† Sail tonnage is now only a fraction of the steam.

NATIONAL ISSUES OF 1916

OUR EXPERIENCE IN NAVIGATION AND THE BALANCING OF FOREIGN COMMERCE

Statement Showing the Gain or Loss of Using Our Own Shipping, or Employing Foreign, in Our Commerce

By WILLIAM W. BATES

YEARS	RESULTING BALANCES, PER CAPITA										Freights, Percentage of Cargo Value		
	TRADE		TRANSPORTATION		Of Trade		Of Transportation					Of Commerce as a whole	
	Ex-ports. Value per Capita. Dollars	Im-ports. Value per Capita. Dollars	Value by Amer-ican Vessels		Per cap. Favor-able. Dollars	Per cap. Ad-verse. Dollars	Exports		Imports			Favor-able. Dollars	Ad-verse. Dollars
			Ex-ports. Per cent.	Im-ports. Per cent.			Favor-able. Dollars	Ad-verse. Dollars	Favor-able. Dollars	Ad-verse. Dollars			
1790	5.14	5.85	40.	41.	—	0.71	—	0.12	—	—	—	1.02	22 and 18
1791	4.68	7.19	52.	58.	0.04	2.51	0.21	—	0.21	—	—	2.26	—
1792	4.95	7.50	61.	67.	0.24	2.55	0.46	—	0.46	—	—	1.85	—
1793	6.03	7.21	77.	82.	0.97	1.18	0.87	—	0.87	—	—	—	—
1794	7.42	7.77	86.	91.	1.34	0.35	1.28	—	1.28	—	—	—	—
1795	10.48	15.23	88.	92.	1.99	4.75	2.56	—	2.56	—	—	—	—
1796	14.24	17.29	90.	94.	2.85	3.05	3.03	—	3.03	—	—	—	—
1797	11.70	15.54	88.	92.	2.25	3.82	2.61	—	2.61	—	—	—	—
1798	12.30	13.70	87.	91.	2.27	1.40	2.25	—	2.25	—	—	—	—
1799	15.27	15.35	87.	90.	2.43	0.08	2.48	—	2.45	—	—	—	—
1800	13.37	17.19	87.	91.	3.15	3.13	3.15	—	3.50	—	—	—	—
1801	17.06	20.19	87.	91.	2.22	0.68	2.22	—	2.03	—	—	—	—
1802	12.71	13.39	85.	88.	1.56	1.51	1.56	—	1.56	—	—	—	—
1803	9.47	10.98	83.	86.	2.30	1.22	2.30	—	2.29	—	—	—	—
1804	12.78	14.00	86.	91.	2.97	3.99	2.97	—	3.30	—	—	—	—
1805	15.23	19.22	89.	93.	3.06	4.31	3.06	—	3.44	—	—	—	—
1806	15.69	20.00	89.	93.	3.25	4.53	3.25	—	3.65	—	—	—	—
1807	16.25	20.78	90.	94.	0.62	5.04	0.62	—	1.43	—	—	—	—
1808	3.27	8.31	88.	93.	1.21	1.01	1.21	—	1.48	—	—	—	—
1809	7.42	8.43	84.	88.	1.84	2.58	1.84	—	2.03	—	—	—	—
1810	9.22	11.80	90.	93.	—	—	—	—	—	—	—	—	—

NATIONAL ISSUES OF 1916

OUR EXPERIENCE IN NAVIGATION AND THE BALANCING OF FOREIGN COMMERCE—(Continued)

YEARS	RESULTING BALANCES, PER CAPITA										Freights, Percentage of Cargo Value				
	TRADE		TRANSPORTATION				Of Trade		Of Transportation				Of Commerce as a whole		
	Ex-ports. Value per Capita. Dollars	Im-ports. Value per Capita. Dollars	Value by Amer- ican Vessels		Per cap. Favor- able. Dollars	Per cap Ad- verse. Dollars	Exports		Imports			Favor- able. Dollars	Ad- verse. Dollars		
			Ex-ports. Per cent.	Im-ports. Per cent.			Favor- able. Dollars	Ad- verse. Dollars	Favor- able. Dollars	Ad- verse. Dollars					
1846	5.34	5.75	76.2	87.1	—	0.41	0.47	—	—	0.64	—	0.70	—		
1847	7.43	5.77	65.3	77.2	1.66	—	0.36	—	—	0.44	—	2.46	16 and 14		
1848	6.33	6.80	71.1	82.9	—	0.47	0.41	—	—	0.62	—	0.56	—		
1849	6.25	6.28	68.9	81.4	—	0.03	0.37	—	—	0.55	—	0.89	—		
1850	6.22	7.48	65.5	77.8	—	1.26	0.31	—	—	0.54	—	—	16 and 13		
1851	7.88	8.79	69.8	75.6	—	0.91	0.50	—	—	0.60	—	0.19	—		
1852	6.74	8.37	66.5	74.5	—	1.63	0.33	—	—	0.50	—	—	15 and 12		
1853	7.95	10.30	67.1	71.5	—	2.35	0.43	—	—	0.57	—	1.35	16 and 13		
1854	8.97	11.27	69.3	71.4	—	2.30	0.56	—	—	0.62	—	1.12	—		
1855	8.04	9.47	73.8	77.3	—	1.43	0.61	—	—	0.67	—	0.15	—		
1856	10.01	11.05	70.9	78.1	—	1.04	0.67	—	—	0.87	—	—	14 and 11		
1857	10.14	12.02	60.2	71.8	—	1.88	0.29	—	—	0.58	—	0.50	13 and 10		
1858	9.09	8.79	75.	72.	0.30	—	0.51	—	—	0.39	—	—	—		
1859	9.55	10.81	69.9	63.7	—	1.26	0.48	—	—	0.29	—	1.20	—		
1860	10.60	11.24	69.7	63.	—	0.64	0.54	—	—	0.29	—	0.49	—		
1861	6.78	8.98	72.1	60.	—	2.20	0.35	—	—	0.18	—	0.19	—		
1862	5.79	5.75	54.5	44.8	0.04	—	0.06	—	—	—	—	1.67	—		
1863	6.07	7.25	40.	43.3	—	1.18	0.16	—	—	—	—	0.09	—		
1864	4.64	9.25	30.	24.6	—	4.61	0.24	—	—	0.47	—	1.44	—		
1865	4.76	6.85	26.1	29.9	—	2.09	0.29	—	—	—	—	5.32	—		
1866	9.82	12.24	37.7	25.1	—	2.42	0.31	—	—	—	—	2.66	—		
1867	8.13	10.93	39.1	28.	—	2.80	0.21	—	—	—	—	3.34	—		
1868	7.62	9.66	36.6	33.	—	2.04	0.21	—	—	—	—	3.44	12 and 9		
												2.55	—		

APPENDIX "C"

1869	03.97	7.58	11.06	34.9	31.3	—	3.48	—	0.27	—	0.37	—	4.12	—
1870	03.76	10.18	11.28	37.7	33.1	—	1.10	—	0.32	—	0.38	—	1.80	13 and 10
1871	03.45	11.12	13.15	32.6	31.	—	2.03	—	0.50	—	0.50	—	3.03	—
1872	03.37	10.94	15.43	29.8	26.8	—	4.49	—	0.62	—	0.71	—	5.82	14 and 10
1873	03.33	12.51	15.40	25.7	27.	—	2.89	—	0.85	—	0.71	—	4.45	—
1874	03.27	13.70	13.25	24.6	30.2	0.45	—	—	0.97	—	0.53	—	1.05	—
1875	03.48	11.68	12.12	23.7	29.2	—	0.44	—	0.86	—	0.50	—	1.80	—
1876	03.46	11.97	10.21	25.4	30.8	1.76	—	—	0.77	—	0.35	0.64	—	13 and 9
1877	03.41	12.99	9.73	23.7	31.5	3.26	—	—	0.89	—	0.32	2.05	—	—
1878	03.36	14.60	9.18	22.6	32.2	5.42	—	—	1.04	—	0.29	4.09	—	—
1879	03.00	14.54	9.12	17.6	31.6	5.42	—	—	1.24	—	0.20	3.98	—	—
1880	02.62	16.66	13.31	13.7	22.	3.35	—	—	1.69	—	0.74	0.92	—	14 and 10
1881	02.52	17.53	12.52	13.3	19.9	5.06	—	—	1.95	—	0.75	2.36	—	15 and 10
1882	02.39	14.29	13.80	12.8	19.2	0.49	—	—	1.49	—	0.85	—	—	14 and 10
1883	02.35	15.34	13.50	13.4	20.7	1.84	—	—	1.57	—	0.79	—	—	14 and 10
1884	02.31	13.48	12.16	14.4	22.4	1.32	—	—	1.34	—	0.67	0.69	—	—
1885	02.23	13.21	10.28	13.7	21.3	2.93	—	—	1.12	—	0.60	1.00	—	—
1886	01.71	11.84	11.07	13.6	20.	0.77	—	—	1.18	—	0.60	—	—	13 and 9
1887	01.67	12.20	11.79	12.2	18.6	0.41	—	—	1.15	—	0.66	—	—	—
1888	01.52	11.60	12.07	11.79	18.5	—	0.47	—	1.20	—	0.70	—	—	—
1889	01.56	12.11	12.15	11.62	17.08	—	0.04	—	1.57	—	0.84	—	—	14 and 10
1890	01.47	13.69	12.60	9.03	16.68	1.09	—	—	1.50	—	0.90	—	—	—
1891	01.54	13.82	13.20	9.26	15.85	0.62	—	—	1.58	—	0.83	—	—	15 and 10
1892	01.49	15.75	12.65	8.11	17.66	3.10	—	—	1.98	—	0.80	—	—	13 and 9
1893	01.32	12.70	12.96	8.79	15.45	—	0.26	—	1.36	—	0.47	1.71	—	12 and 8
1894	01.31	13.07	9.60	8.74	19.43	3.47	—	—	1.29	—	0.58	—	—	—
1895	01.18	11.60	10.51	8.22	15.48	1.09	—	—	1.16	—	0.60	—	—	—
1896	01.15	12.40	10.96	8.56	15.76	1.44	—	—	1.23	—	—	—	—	—
1897	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1898	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1899	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1900	01.07	—	—	—	—	—	—	—	—	—	—	—	—	—

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INDEX

A

- Acceptances, 233
 - liability, 224
- Adams, John, 37, 396
 - letter to Jay, 280
- Administration, mania of, 418
- America for Americans, 15
- Appendices, 421, 424, 426
- Appropriations, republican, 63
 - democratic, 64
- Aristotle, 53
- Atlantic, our responsibility in, 392

B

- Bagehot, Walter, 228
- Ballin, Herr, 334
- Bank Act, American, 113
 - national importance of, 178
 - of 1844, 135
 - principle of, exploded, 164
- Bank, capital, object of, 226
 - duty of, 231
 - examinations, 203
 - First U. S., 166
 - notes compared, 190
 - of England, 190
 - of New Castle, 150
 - public institutions, 226
 - reserve of, 227
 - resources, 136
 - Second U. S., 169
 - unit of, 206
 - United Reserve, how created, 240
- Banking, cooperative, 225
 - departmental, 205
 - foreign, 258
 - individual, influence of, 216
 - Interstate Commerce, 231
 - Scotch system, 219
 - several functions, 204
 - soundest system of, 214

- Banking system, American, 135
 - commercial, 199
 - periods of, 146
 - question not discussed, 145
 - savings, 200
 - Trust business, 201
- Barber, James, 286
- Bates, W. H., 324
- Bates, W. H., on underwriting, 329
- Battle-fields, footprints of history, 7
- Benton, Thomas H., 342
- Bismarck, 31, 264, 268, 402
- Bismarck and Colbert, 390
- Blaine, James G., 318
- Boston gives relief, 49
- Boy Scouts, 13
- Bradbury of Massachusetts, 285
- Bryan, W. J., 80
- Buchanan, James, 28

C

- California, Gulf of, 402
- Canadian Banks, 170
- Carranza, 76
- Carthage, 398
- Cash, demands for, vary, 196
- Chadwick, Admiral, 395
- Chamber of Commerce, 413
- Chamberlain, E. T., 408
- Children, employment of, 104
- China, 85
- Citizens of nation, 3
- Civil Service, 84
- Civil War, banking contribution of, 146
- Civil War, Great Britain in our, 313
- Civilization, power necessary to, 9
- Clark, Champ, 343
- Clay, Henry, 282
- Clearing House, 207, 208
 - organization of, 209
 - period, 146
 - powers of, 213
 - rules of, 212

NATIONAL ISSUES OF 1916

- Cleveland, Grover, 33, 364
 Colbert, 389
 Commerce, balance of, 373
 foreign, 198, 370
 Constitution, 19, 269
 Confederate, 29
 Consul at Hamburg, 383
 Cooper, Fenimore, 403
 Council, common, 46, 70
 Credit Currency, a deposit, 222
 amount of, how determined, 182
 cheapest, 183
 expansion and contraction, 179
 expense of, 185
 how created, 153
 in Canada, 170
 life of, 181
 principle old, 160, 182
 safety of, 155, 221
 strength of, 184
 Cromwell, Oliver, 265
 Cunard, Samuel, 309
 Currency, best kind, 149
- D
- Davis, Jefferson, 28
 Democratic platform, 36
 deficit, 62
 promises, 88
 Democrats, 65
 Dingley Bill, 116, 125
 Dollar, Robert, 415
- E
- Edison, T. A., 50
 Eliot, Charles W., 403
 Elkins, S. B., 385
 Embargo, 303
 England, bad faith of, 284
 Europe, war in, 7
 Expansion, over, not due to credit
 currency, 158
 Exports, 69
- F
- Farmers, greatest losers, 355
 rights of, 188, 220
 Federal Reserve Bank Act, 57, 58,
 60
 criticized, 253
 directors, 138
 German law, 192
 indefensible, 144
 notes legal tender, 253
 vs. Fowler Bill, 139
 Finance, Court of, 244
- Fitz Simmons, 375
 Flag, 1, 16, 73
 Foreigner pays the tax, 68
 Foreign interests, interference of,
 377
 Fowler, C. N., 258, 346
 prophecy of present war, 6
 speech on Tariff Commission, 116
 war based on trade, 6
 France bank charter, 165, 166
 Frederick the Great, 356
 Free Trade, Act of 1893, 32
 countries having, 19
 origin of, 23
 Fund, guarantee, 156
- G
- Gamboa, 75
 General Appraisers, Board of, 128
 General welfare, 238
 Geographical consideration, 136
 Germany, bank of, 135
 representatives of, 131
 on sea, 401
 Gladstone, William E., 19
 Glass Bill vs. Fowler Bill, 140
Globe, New York, 50
 Gold standard, 143
 alone money, 195
 Gompers, Samuel, 35
 Government, duty of, 188
 founded on force, 9
 founders of, 20
 revenues, disposition of, 249
 Great Britain, amount of sub-
 sidies, 318
 bad faith of, 284
 during Civil War, 313
 first shipping act, 264
 freight carried, 1830-1840, 308
 in 1940, 354
 influence in shipping, 400
 loan to Cunard Co., 322
 maritime position, 305
 methods of, 268
 per cent of traffic, 346
 protects her free trade, 314
 second shipping act, 265
 sharp practice, 305
 shipping tonnage, 368
 subsidies and subventions, 316
 Gresham's Law, 191
- H
- Hale, Nathan, 13
 Hallock, James C., 208

INDEX

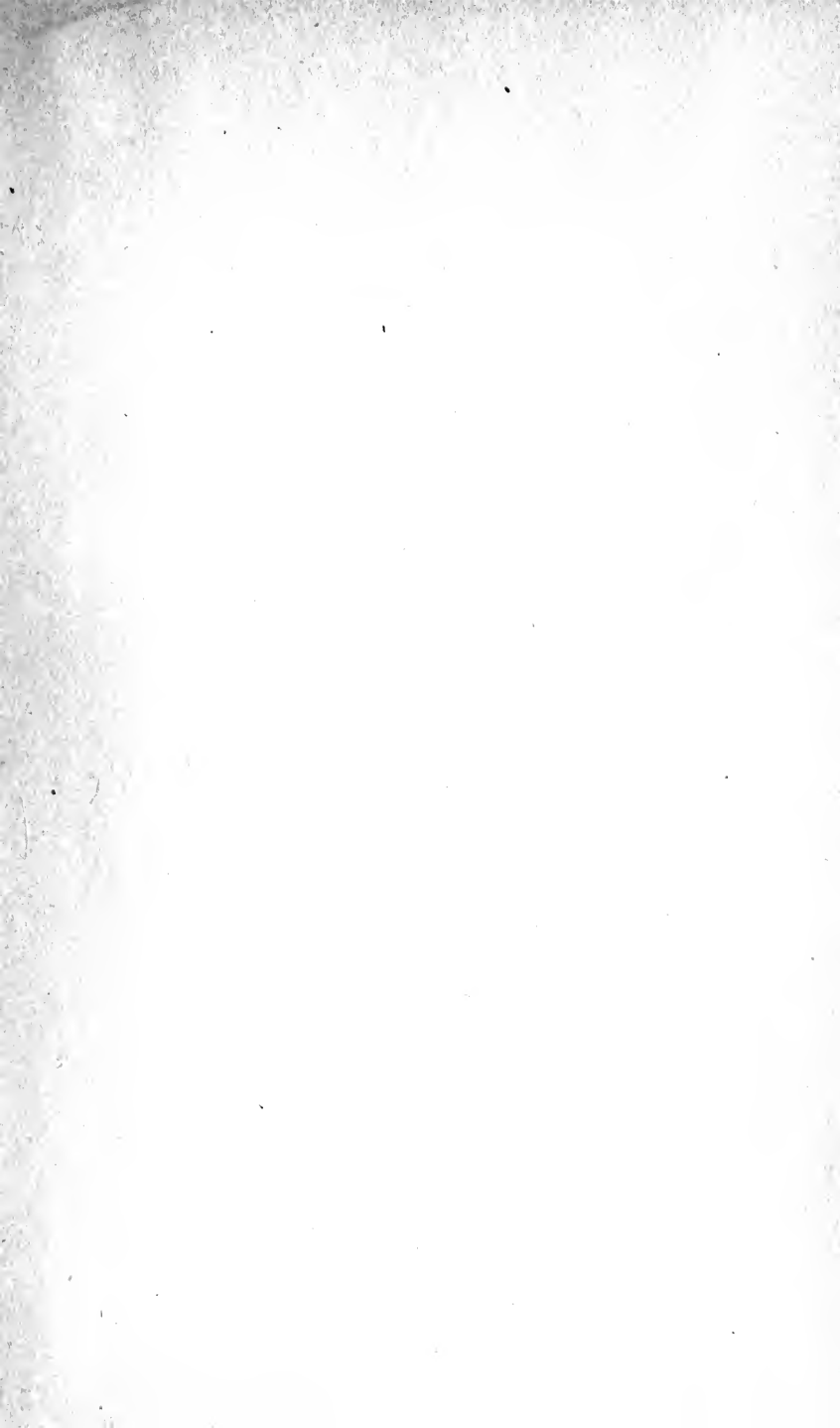
- Hamilton, Alexander, 23, 39, 268
 banking principles of, 146
 importance of preparedness, 6
 Harrison, Benjamin, 31
 Hay, John, 90
 Hay-Pauncefote, 90
 Hawaii, 353
 Heaton, J. H., 321
 Hill, Charles S., 328
 Hill, David B., 33
 Hoar, G. F., 295
 Holland, 400
 Homestead Act, 215
 Hood, Capt. John, 392
 Huerta, 75
 Humboldt, 396
 Humphrey, W. E., 332
 Huxley, 105
- I
- Ijuim, Hon. H., 350
 Impressment, 303
 Independence, local, 136
 Indian, American, 10
 Indiana, bank of, 172
 Industries, diversity of, 102
 Iyenaga, T., 352
- J
- Jackson, Andrew, 24, 308
 Japan, 10
 in 1940, 353
 on the sea, 401
 Jefferson, Thomas, 38, 132, 275
 against foreign influence, 370
 on navigation, 391
 report on shipping privilege,
 275
 Jevons, W. Stanley, 228
 Jones, John Paul, 12
- K
- Kambe, Prof. Masao, 347
 Kentucky, banks of, 171
 King, Rufus, 278, 284, 380
 Knickerbocker Hotel, 49
 Knox, John Jay, 169
- L
- Labor, law, child, 4
 La Follette Bill, 416
 Laut, A. C., 331
 Ledger, *Philadelphia*, 345
 Lincoln, Abraham, 20, 53, 100, 114,
 115
 sense of justice, 107
- Lind, John, 75
 Lloyds Register in U. S., 330
 Loss by Federal Reserve Act, 151,
 154, 157
 Louisiana, 87
 banks of, 171
 Low, A. A., 316
- M
- Madison, James, 39, 270, 276, 277,
 280
 Mahan, Alfred, 382, 393
 on Colbert, 390
 Mallory, S. R., 342, 343
 Markets, American, 101
 control of, 258
 Merchant marine, 22, 72, 109, 111
 American, 257, 367
 and navy, 387
 cost of building, 369
 essential to defence, 379
 established, 271
 financial advantage, 372
 government owned, 410
 how to build, 406
 purchase of ships for, 406
 what constitutes, 367
 Mexico, 7, 73, 402
 American citizens in, 79
 Military training, 13, 14
 Mill, John Stuart, 162, 381
 Missouri, banks of, 174
 Monetary Bill, 138
 Monetary system, 248
 Money, amount of in United States,
 147
 "Blue Pup," etc., 221
 what constitutes, 147
 Monroe Doctrine, 79
 Monroe, James, 6
 Morey, United States Consul, 327
- Mc
- McAdoo, William G., 67
 McGregor, secretary British Board
 of Trade, 315
 McKinley, William, 35, 122, 340,
 341
 Bill, time for, 127
 McLeod, Henry D., 161, 234
 McMaster, John B., 302
- N
- Nails, wire, 68
 Napoleon, 303

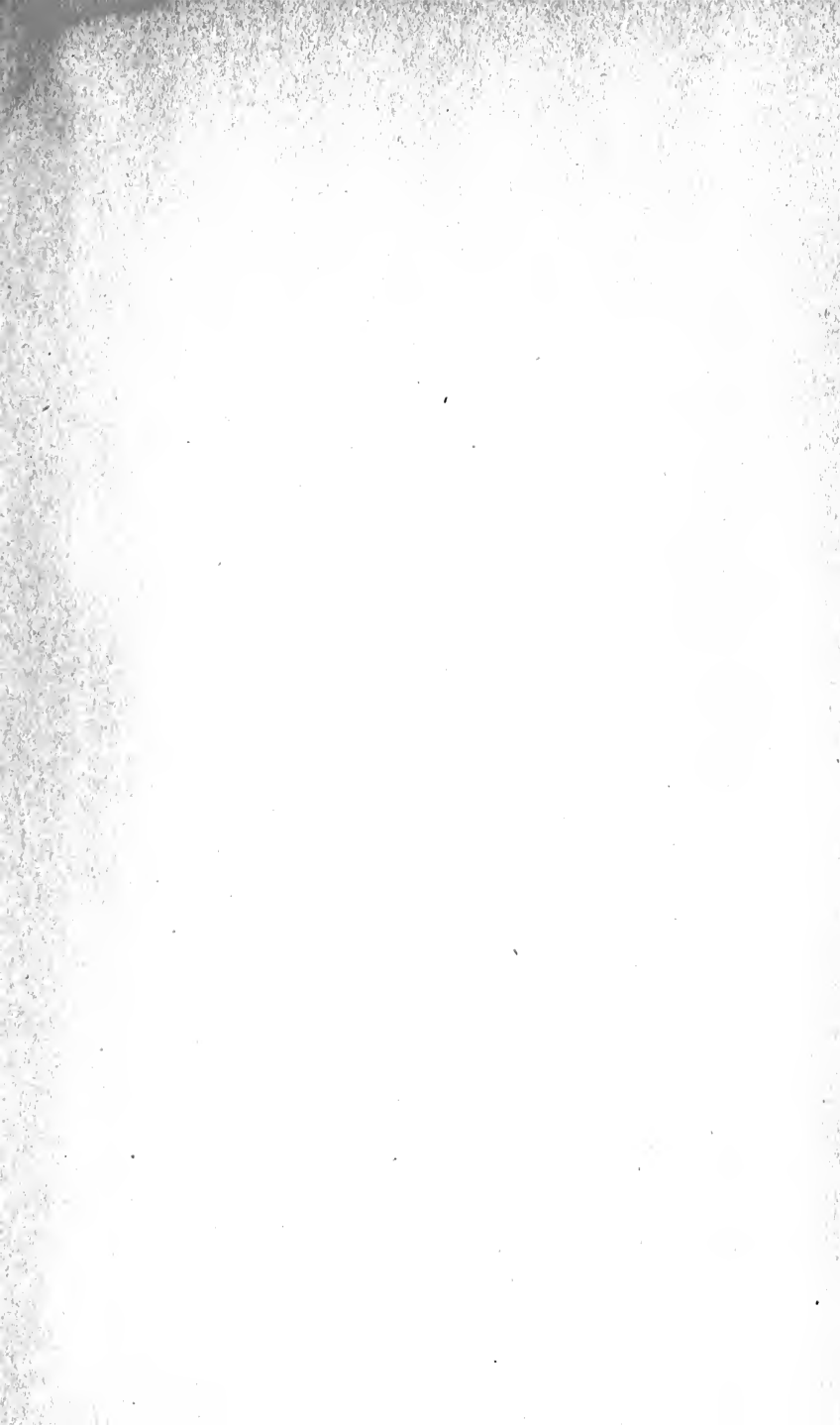
NATIONAL ISSUES OF 1916

- Nationality, American, 10, 19
 vital, 10, 16
- Nations, boundary fixed, 10
 causes of decline, 11, 12
 death of, 9
 most favored, 132
 our greatest weakness, 14
- Navigation Commissioner, 384
- Navy, 110
- New Orleans, 59
- Niblack, A. B., 393
- Nicholas of Virginia, 371
- Norsemen, 398
- Notes, form of Zone, 245
 government and bank, not
 money, 148
- O
- Oath, Congressional, 54
- Ohio, banks of, 172
- Okuma, Count, 352
- Opportunities lost, 382
- P
- Pacific, responsibility in, 393
- Panama Canal, 89
 Democratic platform on, 89
 rules of, 90
- Parton, James, 22, 168
- Patriotism, 16
- Peace, 8
- Peel, Sir Robert, 161, 162
- Pension Law, Widows', 5
- People, condition of, in 1783, 41
- Phœnicia, 397
- Pilgrims, 18
- Policy, national, 404
- Portugal, 399
- Post, New York*, 52
- Preamble of first act, 22
- Principles followed reviewed, 250
- Problems, new, 104, 106
- Prosperity, 1896-1912, 35
- Protection, Thomas Jefferson on, 99
 result of, 103
 German commandments on,
 100
 William McKinley on, 99
- Public schools, 215
- R
- Raleigh, Sir Walter, 264, 402
- Reciprocity treaties, 129
- Redfield, Secretary, 407
- Reforms demanded, 144
- Republican, first tariff platform, 29
 party, return of, 99
 platform of 1896, 340
 surplus, 43
- Reserves, importance of, 229
 United National, 230
- Resources, our greatest, 102
- Richelieu, 389
- Rochambeau, 396
- Rome, destruction of, 11
- Root, Elihu, 129
- S
- Salisbury, Lord, 344
- San Francisco, 417
- Schools, public, 3, 13
- Sea power depends on seamen, 382
 in history, 395
 registration of, 396
- Sectionalism, 60
- Sewing-machines, 87
- Ship Purchase Bill, 55, 65, 419
- Shipping, American attack on, 266
 Act of 1828, 291
 Declaration of Independence
 on, 267
 decline of, 284
 decline of, from 1830-1910, 292
 East Indies, 288
 first and second protective acts,
 272, 273
 law of 1794, 278
 laws vindicated, 299
 rival condition, 299
 steam development of, 296
 superiority in United States,
 299
 United States Constitution on,
 269
- Ships, building of, 259
 clipper, 295
 in United States in 1770, 267
 who benefited by, 360
 not needed South American
 trade, 69
- Smith, Adam, 320
- Soley, J. R., 289
- South America, 70
- South, States of, 40
 popular government in, 82
- Spain, 399
- Steamship, advent of, 293
 first Atlantic trip, 296
 in 1838, 297
- Stone, N. J., 122, 131

INDEX

- Subsidies, 110
 from 1848-1878, 311
 granted by United States, 322
 paid by different nations, 321
 plan for, 409
- Suffolk system, 175
 compared with national, 177
- Sun, New York*, 50
- T
- Tariff, by evolution, 119
 by German commission, 128
 commission, importance of, 131
 Dingley, 341
 maximum and minimum, 134
 protective, 289
- Tax, ten-per-cent, 178
- Taxation, power of, 238
- Times, New York*, 51
London, 289
- Tokutomi, S., 351
- Tonnage duties increased, 279
 amount of, 368
- Trade, agreements, 133
 balance of, 373
 balance of, since 1860, 261
 balance against Great Britain, 374
 international amount of, 262
- Treasury, bankrupt, 71
- Treaty, abrogation of, 378, 359
 advantage of abrogation of, 366
 of 1815, 283
 supporters of abrogation of, 365
 with England, 304
- Tribune, New York*, 26, 48
- Trusts, international shipping, 330
- U
- Underwood, O. W., 26, 343
- Underwriting, combination of, 328
 power of, 325
- United Reserve Bank, how created, 240
 income of, 247
 profits of, 250
- United States maritime position, 306
 after the war, 358
 in 1940, 353
 facts confronting, 357
 present handicaps and remedy, 336, 337
- V
- Venice, 398
- Vera Cruz, 76
- Virginia, banks of, 166
- W
- Wages in shipyards, 362
 on shipboard, 363
- Walker Bill, 27
- Walker, B. E., 170
- War of 1812, cause of, 279, 302, 381
- War, conditions before European, 42
 effect of European, 44
 justifiable, 8, 80
 with Barbary, 300
 with France, 301
- Washington, George, 37, 274, 339
 against foreign influence, 376
 importance of navy, 396
 importance of preparedness, 5
 on commerce, 391
- Watch, Waltham, 47
- Ways and Means Committee, how composed, 127
- Webster, Daniel, 20, 25, 288
- Wheat, price of, 69
- Wilson, Woodrow, 34, 411, 413
 business confidence, 51, 61
 ignorance of, 81
 inconsistency of, 195
 lobbyist, 155
 message, 77
 recall of, 97
 speech at Mobile, 78
 speech at Washington Park, N. J., 94
 watchful waiting, 74
 what he sees, 45
 Woman Suffrage, 96
- Wilson, John W., 211
- Wood, Leonard, 346
 wars and trade, 7
- Woodbury, Senator, of New Hampshire, 290
- Z
- Zone, commercial, 241
 importance of, 241
 union of, 244





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