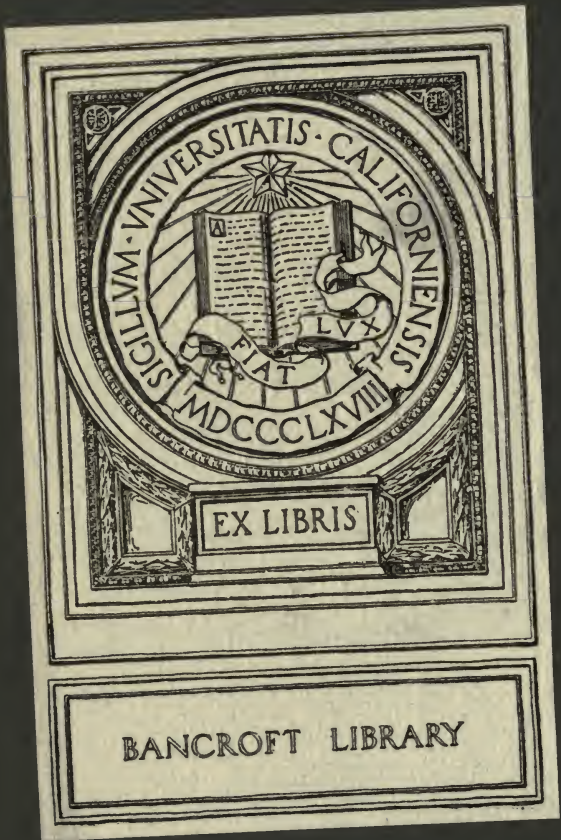


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THE NICARAGUA CANAL.

WOULD IT PAY THE UNITED STATES TO CONSTRUCT IT?

REMARKS

OF

C. P. HUNTINGTON

AT THE

SEVENTH ANNUAL BANQUET OF THE  
CHAMBER OF COMMERCE OF GALVESTON, TEXAS,

MARCH 16, 1900.





## ADDRESS.

I came here at your invitation, and am glad to be with you in this City of Galveston. From this time forward I am sure your city will be one of the great lines of commerce ; primarily on account of the natural advantages which you have always possessed, but immediately because of the advantages and facilities which you have created yourselves, from which you should and no doubt will get great returns. With this increase of advantages the circumstances have changed also. The great trade between Eastern Asia and Western Europe enriched both the East and the West and built up great cities along the line that it traversed. This last change has brought one of these great lines of trade and commerce your way. Your beautiful city has always been at the gate of the sea, but the gate has hitherto been closed. It is open now, and I hope, for all future time, to one of the most beautiful bodies of water in our world. The modes of transportation have changed. The time was when much of it was done by men carrying packs upon their backs. From man to brute the burden was shifted, and for many years commerce was handled in that way, and while transferred, no doubt, from one animal to another, yet it stayed longer with the camel than with any other medium ; and very likely those who used this brute power thought the best possible method of transportation for man and merchandise had been attained. Time was not much of a factor then. The man may be now living who was born before time and speed were counted as among the important factors of trade and travel. When that primitive railroad in Massachusetts was built from Quincy to the seashore, the president of the company in his annual report said they had used different kinds of power—oxen, mules and horses—and, while oxen had been found rather slow, still all were in the main satisfactory.

Benjamin Franklin, in one of his letters when he was Postmaster-General, wrote that he believed the time would come when the mail would be carried between Washington and Boston in ten days with considerable regularity. To-day, if it is not carried in about the same number of hours, there is sharp inquiry why the mail is so delayed. What would Franklin say to-day if he could be here to see the changes that time and genius have wrought? If he could emerge from his crude laboratory to-day, step into a telephone office, and, while he watched with astonished eyes the rapid progress through the streets of loaded trolley cars drawn by no visible force, could hear a friend at Chicago describe to him, in a well-recognized voice, the electrical wonders of the nineteenth century, would he not have a right to say to himself with a thrill of justifiable pride: "Certainly, when I drew the lightning from the clouds, I builded better than I knew."

To cheapen, improve and quicken transportation, so as to make the old ten-day trips from Washington to Boston and the method of locomotion by means of oxen, horses and mules crude things of a primitive past, the canal was established, and this was found to be a great advance indeed, not only in the carrying capacity, but in the speed secured; but the canal of to-day is as far behind the best methods of transportation as that was better than the man, the mule and the ox, and the canal, too, should be relegated to the old scrap heap of the past; but the idea is dying slowly, and there are a few people even to-day who are looking forward from the canal to the ox, and thinking, perhaps, that it would be a good thing to let well enough alone, and that the canal can still compete with the locomotive, or, at least, be a check upon its encroachments; and they look about them without fully realizing the inevitable trend of the new forces that are sure to make the canal impossible in modern life, as the canal uprooted the old notions which tended in the single direction of "getting there," without much regard to the time of arrival.

Nearly all the canals which were built in the first half of the

present century are used no more, and the waters have been let out of them, with perhaps two or three exceptions. The Erie Canal, in the great and enterprising State of New York, remains to vex the people with the problem of its continued existence, and it remains, I think, more because it was built by one of New York's greatest and best men, De Witt Clinton, than for any other reason. Many times has it paid for itself, and I think the old thing deserves now to be allowed to have its long-needed rest, and to die peacefully in its bed. Yet there are a number of people who are trying by all means in their power to call it back to life in the only way possible—by the transfusion of blood; and blood in a case of this kind means an appropriation of the people's money. It is the old story over again, of the farmer who carried his wheat to mill on the back of his horse, balancing the bag by putting the wheat in at one end of it and a sixty-pound stone in the other. A stranger, meeting him on the roadway, asked why he did not put half the wheat in each end of the bag and throw away the stone. At this he seemed somewhat puzzled, but finally said: "My father did it this way, and so did my grandfather, and I think they are wiser than you."

A few weeks ago it looked as if the people of New York State were going to consent to spend sixty millions, or some other vast sum, out of their own pockets, to widen and deepen the Erie Canal; but I understand that the attempt to pass that appropriation has been given up for this year. If the people of New York should ever do this they will certainly commit as great a blunder as it would have been a mistake not to have built the canal when they did, and when it was the best known means of transportation. There is no doubt the railroads now running between Buffalo and New York can, for the \$2,400,000 which would represent 4 per cent. interest on the sixty millions proposed to be expended, move at an actual profit all the tonnage that would ever pass through the improved canal, to say nothing of the three to five millions of dollars a year which it would cost to



keep the canal in order and pay the expense of its administration. Then, again, the difference in the time it would take by the two methods of transportation to get the goods and products to market would represent a very large sum, for a farmer living within the great watershed of the Mississippi River could send his grain to market by rail and have the money in his pocket before the canal could take the product to its destination.

The world is moving on, however, and as time goes on it brings brighter lights to bear, and so I do not believe that the people of New York are going to vote that appropriation of \$60,000,000 to resuscitate this thing of the past. The mistakes of recent years in the direction of canal building are being recognized. I am credibly informed that the celebrated Manchester Canal, in England, constructed within a very few years, as the history of commerce runs, at an enormous expenditure of money, has been found to be a practical failure. The Kiel and the Corinth Canals are similar commercial failures, and the abandonment of canals in all parts of our own country are cases in point, notably the recent abandonment of the Delaware and Hudson Canal. The president of this company stated in his last annual report that the canal belonging to that company was abandoned because "the cost of the transportation was too great as compared with other methods," and another officer of that company has said that the president's views "have been vindicated by subsequent results."

The enormous falling off in the tonnage of the Erie and Welland Canals, and the changes and astounding reductions in the traffic of rivers in all sections of this country as a result of the competition of rival railroads, point in the same direction. During the sixteen years from 1876 to 1892 the tonnage of freight transported on the lower Mississippi fell 41½ per cent., the tonnage on competing railroads increased 350 per cent., and the sea traffic of New Orleans increased 70 per cent., and this deflection of commerce from the Mississippi to competing railroads is still going on.



I am going to say right here a few words about the Nicaragua Canal. Maybe you are all in favor of it, as I am told it has a great "pull," as the politicians say, although just why I do not know. Perhaps I am going to make myself very unpopular with you on account of my ideas regarding the Nicaragua Canal, but you will, I know, give me the credit of doing a citizen's duty in daring to say what I think about this much-mooted project. I am not one of those who like to put chucks under the wheels of progress; nor do I believe in trying to defeat the aims of my Government after it has taken a decided step and is committed to a policy. I am not one of those who, while our soldiers are fighting under the American flag in the Philippines, would aid the enemy by denouncing the policy and denying the rights of the Government. I believe in upholding the President's hands in the march he is leading, and I am always for the flag, whether at home or abroad. This country has a great work to do. I will have little to say here as to whether the war with Spain was justified or not, but war came and went, and I believe it is better for the world that islands that came to us as the result of that war should be under the Stars and Stripes than that they should have remained under the flag of Spain; as it ought to be, and I believe will be, better for the people of those islands to be with us; and better for us, provided we should deal fairly and liberally with them, for they will surely pay us in kind. All the islands that we have taken we must keep, and deal with their people firmly but kindly, so that they will not only love but respect us. Let us give to the Filipinos a good government that will be an object lesson to all the people of Eastern Asia. In doing this we shall widen our sphere of influence, so that the millions of people in China will welcome our incoming, knowing we mean them no harm. Let us ask all the peoples of the world to join with us in giving to the Chinese such moral support, if nothing else, as will induce them to build up out of the material that they have a great homogeneous empire with all the doors of commerce open

to all the nations of the earth. This will suit them, for they are a great people. I say this not only with belief, but with knowledge, as I have dealt with them for fifty years, and can say that, as a people, they have never deceived me. Let us help them, if need be, and they will surely pay us in kind. We are legitimately there, and there to stay, and no one will say us nay, so long as we are doing what is right. Because of our so dealing with them there will be more high-grade goods passing through your city on their way from China to the eastern coast of America than ever passed the Euphrates when nearly all the trade between China and India and the Mediterranean and Western Europe passed across that river.

As I have said, it is too late now to deprecate, even if we would, the action of our Government resulting from the recent war with Spain. Those who believe, as I do, in the wise and commendable policy which is being steadily developed and carried out in the East by the present Administration, and those who have doubts, should now, it seems to me, stand by the men who are at the helm of state, steering a difficult course toward the harbor of enduring peace and prosperity, doing it with honesty of purpose; that is, holding to the Golden Rule. Let us stand by them to-day, for that means standing by the flag. Does any one believe that in twenty-five years from to-day there will be in this broad land a single intelligent citizen who will look back to the history we are making to-day and wish that his country could return to the conditions of yesterday?

The time to argue, to expostulate, to protest, is before a thing is done, and not afterward; and it is not only the right of every citizen to say what he thinks about the Nicaragua Canal, but it is his duty to do it, and to do it now before the Government shall take a decisive step and become committed to a definite future policy; for when we shall once have commenced upon that enormous scheme, the building of the Nicaragua Canal, the people of this country will find themselves committed to a work which

will cost them more millions of money than they dream of. Nor is money the only thing which will be expended. I know the country through which it is proposed to dig this great ditch, and I believe, if it should be built, it would cost more human lives than any other work that has been done in all the years since man existed. For many miles at its eastern end the country is low-lying land, where the black muck is concentrated poison, and especially deadly to any one who moves or stirs it. To think of cutting a ditch through earth like that for ships 700 feet in length, with 80 feet beam, and drawing 30 feet of water—and ships of these dimensions are being built—seems to me an undertaking fraught with the greatest peril to all engaged in it; and I am satisfied that a canal of dimensions sufficient to accommodate such vessels will cost not less than two hundred and fifty millions of dollars.

Fifty years ago, when I was beginning my life work in San Francisco as a merchant, I heard that the United States Government and the Government of Great Britain had entered into a compact, in the so-called Clayton-Bulwer Treaty, to stand by and protect any individual or company which might with private capital come forward to construct the Nicaragua Canal. The treaty afforded ample protection to all persons and property employed in constructing the canal, the whole world supposed that capital and enterprise would come to the front at once with the purpose of opening up to navigation this highway between the two oceans; but fifty years have come and gone and no canal, nor even a beginning of a canal, is seen. Then about the year 1860, ten years after the Clayton-Bulwer Treaty was signed, the Suez Canal was begun and within the space of ten years was completed by private capital, with little or no government protection, and at about the estimated cost of the Nicaragua Canal as arrived at by the engineers. It was opened in the year 1869, more than thirty years ago. As it affords a shorter route to Asia and Australia by from four to six thousand miles than by an



American isthmian route, it also affords a better route, all things considered, for commerce between New York and Asia and Australia. Then, in the year 1869, the first transcontinental railroad was completed, and to-day we have in all six transcontinental roads, including the Canadian Pacific. One of these—our Southern Pacific—has its principal Eastern terminus at Galveston. The result has been that the people interested in the Nicaragua Canal scheme have been obliged to abandon the idea of constructing it as a commercial enterprise for private capital, and for the last ten or twelve years they have been importunate beggars at Washington for Government aid to an amount estimated all the way from one hundred to two hundred and fifty millions of dollars. I have believed, just as the financiers of the world have believed during the last fifty years, that the Nicaragua Canal would be a flat failure as a commercial enterprise; but within a few months a new proposition has come to the front, and it is an alarming one, as it endangers, in my opinion, the interests of the whole people.

Some of our ablest and best men in Congress are favoring it, but this is only evidence to me that no one man can know everything, and that no man can be particularly strong except in the prosecution of work with which he is familiar. I have been in the transportation business for some fifty years, having had no other regular vocation, and my experience makes me confident that when all the elements and influences that are factors in this question are brought into the full light it will be seen that, as a commercial enterprise, the Nicaragua Canal must prove a failure, and as unfortunate a one as those of John Law, and the originators of the great "South Sea Bubble."

It is assumed by those in favor of the canal that 4,000,000 tons will pass through it annually at a toll of \$1.55 per ton, which is about the rate now charged on the Suez Canal, and that, therefore, the income of the canal would be \$6,000,000. Taking the low estimate of these friends of the measure, that the canal would



cost \$140,000,000, simple interest on which at 4 per cent. would be \$5,600,000; adding to this the cost of maintaining and repairing the canal and its two harbors, and of operating it, which could not well be less than \$5,000,000 per annum, and you have altogether \$10,600,000 per year to be met by an income of \$6,000,000. Taking my own estimate of \$250,000,000 as the cost—and I have a good deal of respect for my own estimate in a matter of this kind—you have \$15,000,000 per annum as the charge against this canal, as against an income of \$6,000,000. Statisticians outside of Congress and the Government figure the probable tonnage as low in some cases as 300,000 tons a year, instead of 4,000,000 tons.

But even on the violent assumption that toll should be charged on the tonnage passing through the canal sufficient to pay this \$15,000,000, let me tell you that the railroads of this country can be contracted with to take the same tonnage by rail between New York and San Francisco and deliver it in less than half the time, insuring the goods besides, for that same or less sum.

Some people, also, would disregard the commerce question and make the canal free of toll to ships built in American ship-yards, of American capital and by American labor, and filled with American merchandise. What do we have as the showing now? Let me call your attention to two tables, showing the value of the foreign carrying trade of the United States by sea in American and foreign vessels, respectively :

#### IMPORTS.

Year ending—	American Vessels.	Foreign Vessels.	Percentage.
June 30, 1898.. .....	\$93,535,867	\$492,086,003	16
June 30, 1899.....	107,462,239	651,198,204	16

#### EXPORTS.

June 30, 1898.....	\$67,792,150	\$1,090,406,476	5.9
June 30, 1899.....	85,784,710	1,076,851,445	7.6

The tonnage of American and foreign sailing and steam vessels entered into the seaports of the United States from foreign countries was as follows :

	June 30	
	1898.	1899.
Sailing Vessels—		
American .....	1,490,505	1,472,163
Foreign.....	3,109,229	2,777,236
Steam Vessels—		
American .....	3,707,568	3,867,184
Foreign.....	17,232,214	17,985,641

CLEARED.

	June 30	
	1898.	1899.
Sailing Vessels—		
American .....	1,458,243	1,523,749
Foreign.....	3,181,742	2,696,924
Steam Vessels—		
American .....	3,652,604	3,937,899
Foreign.....	17,355,043	17,990,122

Cannot any intelligent man, after seeing the immense percentage in favor of foreign vessels as shown in these tables, understand that the discrimination against foreign vessels is going to drive them to the Suez waterway, and that the tonnage through Nicaragua, confined almost exclusively to American vessels, would result in the Government's getting practically no income from the venture ?

Some people, however, are in favor of disregarding entirely the question of commercial value—that is, of getting returns on the vast investment—and making it a free canal; but why the American people should saddle themselves with an enormous burden of this kind, the chief benefits of which are to inure to foreign nations, which own 95 per cent. of the tonnage of the seas, is beyond my comprehension; and, if you reflect upon it, I think it will be beyond yours.

As between the Suez and the Nicaragua Canals, the business between Western Europe and Eastern Asia would naturally go the way of the Suez Canal, which is the shortest line. The Suez Canal ought not to have cost more than a tenth of what the

Nicaragua Canal will cost, as in the former case it was only the digging out between the Mediterranean and the Red Seas of what I have no doubt was the bed of an old seaway between those bodies of water; the material being sand, it was easily dug and the waters of the two seas were allowed to unite again as they had no doubt united many years before. There is no railroad to compete with the Suez Canal, which connects great commercial and industrial nations; whereas, an American isthmian canal would connect two vast unproductive oceans. The signs of the times are that some of the great schemes of railroad building in Asia will be carried through, and, if a single railroad as effective as any one of the transcontinental lines which connect the Atlantic and Pacific coasts of the United States should be built to compete with the Suez Canal, it would at once take from that waterway the entire carriage of passengers, mails, express and perishable goods, and high-cost freights generally, leaving to it only the lower-class freights, the insurance on which is small, while the time is not important.

Of course it would be somewhat different in handling the business eastward between Asia and the east coast of America, for it would have to be put into ships, and the ships not controlled by the American railroads would hold the tonnage as long as they could, which would, of course, send some ships through the Nicaragua Canal, as in following that route they would hold the business from start to finish; but in doing this they would steer clear of our west-coast cities, and this would do much harm to those towns, and they would find when too late that they were on the shun pike and not on the main line.

Neither the Panama nor the Nicaragua Canal is on the line of any great independent commercial movement. They are merely points at which certain ocean-steamer lines would touch. The total tonnage passing through the Suez Canal the first six months of 1898 was nearly 5,000,000 tons, and of this only some fifteen hundred odd tons, or 3-100 of 1 per cent. was American! For



that same period the tonnage entered at ports of the United States from foreign countries amounted to nearly twenty-one and three-quarter millions, and only 16 per cent. of this was American. It would certainly seem that we, as a nation, could better afford to work up our merchant marine to respectable proportions by all the legitimate and liberal means in our power before we entered on the construction of a canal, 90 per cent. of the benefits of which, if any, would inure to ships of other nations. The Suez Canal has an advantage over the Nicaragua route for the trade between Western Europe and Manila.

Then, again, the Suez Canal is a sea-level canal, whereas the Nicaragua Canal involves 220 feet of lockage. A great economic factor in all this traffic is the price of coal, and in this and in the location of coaling stations the Suez route is greatly superior to either Nicaragua or Panama.

And there is a consideration with regard to the proposed Nicaragua Canal that I think is probably not given due weight. While the average rainfall at Suez is about two inches annually, the precipitation at the eastern end of the Nicaragua Canal has amounted to twenty-five feet in a single year. This vitally affects the question of the permanence of earthworks, and bears importantly on the question of navigation.

They tell us that the Nicaragua Canal is a military necessity, but I think not, and, in fact, I think the arguments against it on military grounds ought to be convincing. With such a canal open to all the nations of the earth, in time of war none of them would have an advantage over the other. All the great nations of Western Europe could send their ships of war through it so as to reach our western coast, say, in twenty-five days. Without the canal they would have to send their battleships around Cape Horn or go through the Straits of Magellan, occupying, say, eighty, and the enemy could prevent our using the canal the same as we could prevent their using it, so that it would seem to me that the best thing to be done in time of war would be to



blow up the locks in order that no ships could use the canal. Our Government could contract with five railroads, or, for that matter, with any one of five, to transport all the men and munitions of war that they would need in any six months across the continent to San Francisco in forty days, and could transport a million of men in ten days if the need should be great.

Few people understand the difference between one railroad's competing with another, or its competing with sea commerce. All the fixed and current expenses of a railroad must be paid out of the business that, you may say, belongs to the rail. The fixed expenses of a railroad are the great expenses. Any of the through lines between New York and San Francisco probably represents in its total cost a billion or more of dollars, the interest on which, at 4 per cent., is forty millions of dollars. The taxes are probably five millions. There are not less than 80,000 men employed, and all this belongs to the fixed expenses. Now, when we compare with the seas, the railroads figure that, if they can make, say, on running a train through from New York to San Francisco, \$100 of clear net money over the actual cost of the movement of the train, they will take the business on the theory—which I think is a true one—that it adds \$100 in net money to their income, which helps out the local business to that extent.

Perhaps I have occupied too much of your time on this question of an American isthmian canal, but my excuse for it is that I do not make many speeches in public, and when I am called upon to speak I like to talk about practical things that mean much for the welfare or else for the injury of our country. If I do not believe in the Nicaragua Canal it is because I have made a study of the question after an experience of sixty odd years in business life, and feel somewhat familiar with economic questions affecting the commercial interest of the United States. I believe that in advocating the enormous expenditure required to build the Nicaragua Canal the American people will be making

a costly mistake, financially and commercially, and an enormous blunder in military policy. If this step should be taken, these remarks of mine, like other protests which have been made in the same line, may become historic. I sincerely hope that no action will be taken the future result of which will recall what I have said as words of prophecy.

Let me bring this matter nearer home—to Galveston, the city at the gate of the sea, with the gate wide open. Probably no other city in the United States contiguous to ocean waters has as many square miles of territory tributary to it, or is the natural *embarkadero* of such an immense area of country, as is your City of Galveston. A good deal of it is dry land, to be sure, but the cry of irrigation is in the air, and the Government is just commencing to store up the waters when they are not needed and let them out on the arid lands where they are essential. With irrigation your State will blossom like the rose, and Galveston will be her chief jewel. The Southern Pacific Company is about to enter pretty largely into your life, I hope for the good of yourselves and of us. I believe I can say for my associates, and I know I can for myself, that our policy will continue to be what it always has been.

I want to read to you figures from another table which I have had prepared. These are official figures and not my own, and they show the fall of rates per ton per mile on the leading railroads of the various sections of the country from 1870 to 1898, and the figures are from the statistical abstract of the United States, page 387 :

Group of lines—	Cents per Ton per Mile.		
	1870. Cents.	1898. Cents.	Reduction. Cents.
Lines east of Chicago.....	1.61	.55	1.06
West and northwest lines.....	2.61	.94	1.67
Southwestern lines.....	2.95	.94	2.01
Southern lines.....	2.39	.62	1.77
Transcontinental lines.....	4.50	.99	3.51
Average .....	1.99	.72	1.27

From this table you will see that the reduction on the great lines east of Chicago from 1870 to 1898 has been 1.6 cents per ton per mile. On the Western and Northwestern lines, roads running through fertile countries filled with a vast population, the reduction has been 1.67 cents; on the Southwestern lines it has been 2 cents; on the Southern lines it has been 1.77 cents. On the transcontinental roads it has been  $3\frac{1}{2}$  cents, or more than on any other class of roads in the United States, despite the disadvantage of a thinly-populated country, with long stretches of unproductive soil where the railroad line is practically nothing more than a bridge connecting the productive portions. In other words, the average rate on the transcontinental lines in 1898 was considerably less than one-fourth the average rate in 1870. I think this clearly illustrates the policy of development which has been pursued in the past, and which is building up your Southern and Western country.

The railroad, therefore, is doing its part, and it only remains for you to do yours, in order to grow great and prosperous as a State. You ship vast amounts of the crude product of cotton. What I hope to see your State do is to make its raw material into something that is more valuable. Manufactures are the blood-life of an energetic State, as well as national progress. The level to which the arts, manual and otherwise, have attained in any country is, most other things being equal, the measure and criterion of their progress in all that makes a people enlightened, wealthy and prosperous. In the building of a great ship, for instance, a greater diversity of employments and talents is brought into play than in the manufacture of almost anything else; and I remember once saying, at the launching of a large vessel in Virginia, that the actual value of the materials in the ship—the timber in the forest, the coal in its bed, and the iron in the mine—probably amounted altogether to less than five thousand dollars. When worked up through art and manufacture into the completed vessel they represented a value of over five hundred

thousand dollars; and all this vast increase had been paid for labor and gone into the pockets of American citizens who did the work. This was as it should be. I want to see your vast cotton product transformed into fabric right here within the borders of your own State. We have all heard the illustration of the ton of iron worth, say, twenty-five dollars, which, when worked into watch springs, increased in value to many hundreds of thousands of dollars. It is so with cotton and all other crude products. It is the manufacture of the fiber into the fabric which counts for wealth. I want to see looms and mills, and still more looms and mills, in the South, and I hope to see Galveston advance along these lines to a splendid future; and I hope to see the State of Texas take full advantage of her geographical situation, her beautiful climate and her fruitful soil, and in time fulfill her rightful destiny.









