

The Papers of Charles Hamlin (mss24661)

356_12_001-

Hamlin, Charles S., Miscellany, Speeches, April 1907 – May 1915 (3 of 4)

CHARLES HAMLIN
PAPERS

Miscellany

Box 356

Folder 12

SPEECHES -- APR. 1907 -
MAY 1915
(3 OF 4)

*Compliments of
Charles S. Hamlin*

COMPLIMENTS OF

The Traffic Club of Pittsburgh

ADDRESSES

DELIVERED AT THE FIFTH ANNUAL DINNER OF

THE TRAFFIC CLUB OF PITTSBURGH

AT HOTEL SCHENLEY, FRIDAY
EVENING, APRIL 26, 1907

BY

MELVILLE E. INGALLS

CHARLES S. HAMLIN

W. A. TERRY

ADDRESS
OF
MR. M. E. INGALLS

CHAIRMAN OF THE BOARD, C. C. C. & ST. L. RY., CINCINNATI,
OHIO, DELIVERED AT THE FIFTH ANNUAL DINNER OF
THE TRAFFIC CLUB OF PITTSBURGH, HELD
AT HOTEL SCHENLEY, FRIDAY EVENING,
APRIL 26TH, 1907.

Mr. President and Gentlemen:

I come here to-night with no new story to tell you. It is an old tale that you have all heard many times, but I thought, in order to bring the situation plainly before you, I might give a brief history of the evolution of railways from their inception to the present, during a large portion of which I was one of you and active in their development. And I wish to say here that what I may say this evening is in no spirit of malice, but with charity for all—a plain unvarnished story of events in which I was interested with many of you, and whatever there may be of criticism of what was done in the years in the past I assume my full responsibility as one of the principal actors in the scene.

In 1815 there was a change in the progress of the world. For centuries previous to then the nations of the earth had been engaged in warfare trying to destroy each other. By the battle of June, 1815, on the plains of Belgium, peace was secured to the world and men had time to turn to the peaceful industries of life and accumulate fortunes and apply their energies to something beside battles and war. As a result, by 1830 the civilized world had recuperated its strength and was ready for an advance. This came in the discovery and initiation of steam railways. Hitherto it had been slow plodding—countries were weak, and shipping and transportation slow and expensive. And then the locomotive was built and put in service and a new era dawned. For more than fifty years from that time it was one steady advance and progress. Communities were wild to secure a railway—the brightest minds of the country devoted their attention to building them, and the surplus capital of this country, especially, was invested from year to year in developing and perfecting a system of transportation by steam. Situated as this

country was, with a wide expanse of territory, railways were not only a blessing, but a necessity. States and towns and people demanded them. Nothing was asked—no favors—but what were granted, if the people could secure thereby a railroad. Lands were given in unlimited quantities. Towns, cities and States loaned their credit. The country swarmed with promoters with whom the various communities made contracts to give them rights-of-way; to give them lands; to give them State bonds, County bonds, town bonds, city aid—anything they asked—if they would build them a railway. In very few cases were questions asked as to the rates demanded. No limit was put upon the amount of bonds and stocks that should be sold.

The result was, in time the country had a large railway mileage, which had been constructed under this plan. The contractors sold out the bonds and stocks at any price that they would bring and the new owners came into control of the railways with an endeavor to earn dividends and interest upon these securities.

Then the people saw that they had given away valuable privileges without any limitations and they began to look around them and see how they could recover some of their lost rights. The result was the Granger legislation, in which the people took the ground that the railways were public corporations; that they were created by the States and subject to the control of the Legislatures. On the other hand, the owners and managers claimed that they were like private corporations and could be managed independent of public control. The Granger suits lasted for some years, but in the end the decisions were in favor of the people—that the railways were public institutions and could be controlled by legislation.

At that time, investors, especially in the East, were in much greater alarm than to-day. I remember quite well hearing people talk then who had invested in the stocks and bonds of railways in Illinois, Wisconsin and other Western States, saying that their investment was lost; that they were being ruined by legislation.

And yet, after the people secured the power they sobered up and the prosecution ceased. The corporations made money and there was nothing of the ruin that was threatening.

Until the passage of the Interstate Commerce Law in 1886, it was the custom among all railways to make secret contracts selling their transportation to wholesale bidders at the best prices possible, trying thereby to build up the industries of the country and secure returns for their stockholders. It was not considered wrong, but a proper way of

conducting business. When competition got too severe, pools were made by which the business was divided and the rates secured.

For fifteen years a contract existed between the lines from Chicago to Indianapolis, Cincinnati and Louisville for a division of the business, by which in round terms we put in sixty percent for doing the business and divided up the other forty on certain terms. The question of a violation of the law never entered our heads, although perhaps it was a violation of the common law, but for fifteen years that pool, so called, existed and saved hundreds and hundreds of thousands of dollars to the railways, and protected the shippers by steady and reasonable rates. There were also many others in different sections of the country.

When the Interstate Commerce Law was passed in 1886, prohibiting pooling, such arrangements were all ended and the railways endeavored to conduct their business by agreement under that law.

This went on very well for a year or two, but gradually the competition for business increased. One line would endeavor to get more business and in retaliation another line would pay somewhat more, and the result was that the system of rebates grew into tremendous proportions. Published tariffs were disregarded, and it was a struggle for existence among the different lines.

In 1895 the situation had become so acute that a few of us thought something must be done or the end would be bankruptcy, so we called a meeting of all of the lines North of the Ohio River and East of the Mississippi to discuss the situation and see what could be done.

It was a hot day in July when we met in New York City. There were present the Presidents and General Managers of all the lines—the ablest representation I have ever seen. All agreed that the situation was deplorable—that the business of the country was being conducted on special rates—that the shippers were dictating any terms they pleased, and that the end was bankruptcy for the entire railway system unless something could be done to stop it.

I quite well remember that the late Mr. George B. Roberts, one of the great railway men of the world, then President of the Pennsylvania Railroad, at this meeting making an address and saying something like this:

“Gentlemen, as I look around this meeting at the faces of those assembled here, I would trust any of you with my pocket-book or take your word in any ordinary business transaction, but I would not for five minutes trust anyone, even myself, with an agreement to maintain rates.”

True it was, and it was a deplorable situation. A committee was appointed and we endeavored to make some agreement by which we could maintain our tariffs and at the same time comply with the law. We drew what was known as "The Joint Traffic Association Agreement." The thought of our committee, and I speak whereof I know, was all through the long weeks that we struggled with this, to draw an agreement that should comply with the Interstate Commerce Law and aid the Interstate Commerce Commission in enforcing the public tariffs. It was never for an instant thought by any of us that there was any danger from the Sherman Law, so called. In fact, I had been told by the author of that famous law when it was passed that it did not apply to railways.

We made our agreement; we put our machinery in effect, and in the following months we had rates better maintained than they had been for years before.

We were brought into the courts, however, by shippers who were opposed to any maintenance of rates, and to our surprise and disgust, before we were aware of it, the Supreme Court had decided in a case somewhat similar called the "Trans-Missouri Agreement" that it was in conflict with the Sherman Law, and illegal. We asked for a rehearing, but in the spring of 1897 the decision was re-affirmed and it was practically decided by the highest court in the land that there was no authority or power on the part of the railways to make an agreement for the maintenance of rates.

This fell upon all of us like a bombshell. The question was, What to do? My own advice at that time, in which I stood almost alone, was that we should meet the case squarely—say to the Government that the railways could not be conducted without some right to make an agreement and that this decision had produced anarchy; that every Association should be dissolved and each man should manage his railway in the best manner possible, and use all his influence with Congress to secure just and proper legislation that would enable us to conduct our business according to law.

The answer to that was that it was dangerous—that different rates would be made and panic would be produced and there would be more bankruptcy and more receiverships.

It is a pity that we did not have them then and be done with them.

As no public agreement could be made between the railways, there were various secret agreements which they tried to keep, but each manager endeavored to secure as much business as possible for his road on the best terms he could make. There was far more business done on secret rebates and contracts than on public tariffs, with a constant shrink-

age of rates. Millions and millions of dollars were paid out without a voucher or receipt by Traffic Managers and Solicitors, and to the credit of the fraternity be it said there was never a complaint of a misuse of these funds. In no other business on earth where there have been so many millions handled has there been such a record.

In the meantime, owing to the taxation of railway securities in the different States, the securities of the railways had drifted to Wall Street and were controlled by cliques who used them perhaps not for investment so much as for counters in the great game of speculation that they were playing. In 1899 some six or seven of these men, in the hope of swinging the railways and the business of this country, conceived the idea, which was dubbed "The Community of Interests" that they would buy the controlling interest in practically all the railways of the United States, and thereby produce a joint ownership, and through it a maintenance of rates.

If this had been conducted with moderation and the profits from it used to develop the railway lines, it might have stood somewhat longer, but after it had been going a short time the chief men got into a struggle among themselves for the control of certain lines and the skeletons in their closets were laid bare so that the public understood what was being done. Instead of improving their lines, some of them spent a large part of their income and credit in buying other lines and increasing their dividends so that the prices of their stocks could be sold better here and abroad, and all these things caused so much dissatisfaction among people that it finally took form in the celebrated Northern Securities Case. If it had not been for that suit, a few men would have controlled the great transportation interests of this country, and while they would have maintained rates, they would have made and unmade statesmen; would have controlled Congress and Legislatures, and in the end no one knows what the result would have been.

The decision of the courts was against this combination, but instead of accepting the situation, as ought to have been done, and asking for legislation to enable them to go on and manage their properties legally, they continued to temporize with various deals and subterfuges to avoid the effect of it.

The people, in the meantime, had been busy trying to obtain greater authority for the Interstate Commerce Commission, and the railways as a whole had been busy opposing this.

In 1899 at a meeting in New York of the principal lines the question came up of giving the Interstate Commerce Commission more power, and then and there I endeavored to have the railways give up their opposition and join in with the

people and get a bill which, while it gave the Interstate Commerce Commission more power, should also give the railways some rights. I received no support whatever. The railways had not then learned that the people were supreme and that they had better bow to the inevitable.

I had the honor in 1897 to deliver an address before one of the Western Universities, and I cannot help quoting here some of the ideas advanced at that time. Among other things, I said:

"The railway officials must be taught to conduct their business with care and with due respect to the rights of the people. Their actions must not be secret, but above board and open to the public. There must be but one rate to everybody and that must be reasonable, and the Legislatures must provide remedies by which railway officials can agree with each other on these rates and their contracts can be enforced. Unfortunately, railway officials have opposed all legislation that looked to the control of their powers, and have not tried to direct and perfect the laws as they might have done. There should be clear and positive legislation authorizing railways to contract with each other for the maintenance of tariffs and the division of business, and it should be made the duty of the Government Commissioners, and they should have the power in such cases to see that rates are reasonable."

All this was treated by the railway officials as idle talk. I quote this to show these ideas are not new with me.

Again, when in 1905 it was determined to make a further effort to oppose legislation, I tried with what powers of persuasion I had among railway officials in control to induce them to give up their opposition and join in with the people and obtain legislation giving certain powers to the Interstate Commerce Commission, and also giving certain rights to the railways. The railways persisted in their old fight and were beaten. Drastic legislation in favor of the people was passed—nothing in favor of the railways.

Unfortunately, just as this legislation was passed, the spirit of reform seized upon certain railway owners and managers and they decided that the custom of giving free transportation and passes to certain officials and certain people had been wrong and should be changed, and that no more passes should be issued. The result was that many public officials, many members of Congress, of Legislatures, felt for the first time that they had been accepting unwittingly bribes in the past in the shape of the customary pass, and they were angry.

The railway officials made up their minds that rebates must cease—that the public had decided that they were illegal and criminal. What was the result? Many of the shippers, who for years had been getting fat upon rebates and who

felt that they had an inherent right to receive them forever, found they could not get them, and they were angry—not with the law—but with the railways. Men who had been riding upon free transportation found it denied to them, and they were incensed. And the result is, the railways are prone upon their backs with no friends.

A little before, an investigation had taken place as to the conduct of the Life Insurance Companies in New York, and a system of rottenness and low morals in corporate management had been disclosed, and this added to the flame against corporations; and in the latter part of 1906 and up to the present there never was a great interest that was so weak, so abused and so helpless as the railway interests. You would think from the speeches that are being made, from the publications, from the magazines and newspapers that the railway managers were men of ill repute—capable of almost every crime—foes of the public; and yet they are the men who have been the chief aids and factors in building up the prosperity of the country. No one dares to raise a voice in their defense. Shippers who have grown fat with rebates turn up their faces in scorn at the railways which have made them rich. The men who have received favors and free transportation are the loudest in preaching reforms and regulations of railways. In fact, I think it is pretty near true what the President says—that he is about the best friend they have.

I have tried to give you a faithful picture of the railways; of their growth from the beginning up to the present time, and the various events which have led up to the present unfortunate condition.

There have been many things done in the past by railway managers which were wrong, but most of them for which they are so badly condemned were justified by the situation and conditions existing when they were done.

Of course, some rebates and secret contracts were for the purpose of enabling one shipper to crush out a competitor, and this was wrong and cannot be too strongly condemned. Of course, there have been cases where rebates have been given and secret contracts made in which the railway officials have been interested. There are always dishonest men in every profession, but the great mass of rebates and contracts in the past have been made by railway officials in absolute good faith and as they believed, for the interest of the property they represented.

In the beginning, you must remember, public sentiment did not consider a reduction from the tariff to certain shippers to be wrong or to be bad business. The railways were considered by the great mass of people then to be private corporations, managed like mercantile concerns, and permitted to

sell their transportation for the best price possible, to build up industries on their lines, and make money for their stockholders. The principle of making a less rate with large and wholesale shippers than to a retail dealer was considered strictly in accordance with the lines of trade by commercial men. The law had not been held to be, as it is now, that the railways were public corporations and must be conducted according to rules laid down for such institutions, but it was supposed, as I have said before, that they were private and had the right to conduct their business as private parties. The country was new and every railway manager was striving to build up industries on his line—was striving to get his fair share of business from his competitor. There were very few who could withstand the temptation of securing large and profitable business to his Company by a secret contract, which thereby did not destroy his other business and which should protect him against the competition of his competitors. He had to answer in many cases the question of a contract for less rates with a new industry, which, if made secretly, would not break down the rates on the business that he then had, and would not reduce the rates all along his line. In many cases he was competing with water transportation and it was a question of protecting his road against water lines, which had no tariffs and made any agreements and rates they pleased. It was also a very serious question with the manager when his cars were West and he needed them East, and they could not be loaded East except with a reduction from the tariff, whether he should not make that reduction. If he made it publicly, his entire rates were reduced and in some cases at enormous loss, while if he made it secretly, no one suffered. He increased the business of the country and largely the earnings of his railway.

I am giving the reasons which influenced all of us in the years that have gone in making rates and making contracts. Mind you, as I have said, I have no excuse for unfair contracts or rebates, only for those which were made in the sharp competition for business, either between competitors or between different lines of transportation.

It has been a long fight—it has been a long time in which public opinion has been getting educated, but as I have stated, the end has come. There is to be in the history of this country no more secret contracts—no more rebates—no more free transportation.

Now, what of the future? And it is one of the most important questions that the American Republic has ever faced. You may abuse the railway men—you may by chance force into bankruptcy railway lines, but you cannot wipe out the great transportation industry, the great business represented

by the Railways, without destroying the business of your country. There is nothing else that I know of that so permeates the life, the health and the happiness of the Nation as its transportation interests. Over a million of men are employed directly by the railways; at least five millions are employed by the railways and the companies which are subsidiary and producers of the railways. Twenty millions of people, or one-fourth of all the inhabitants of this land are dependent for their daily bread, their health and their happiness upon the prosperity of the railways.

Therefore, he is a very careless man and no lover of his country who turns in and joins the crowd of demagogues who to-day are howling and abusing the railways. Your Congress, your Legislature, your Courts, must consider that this is an enormous question and one of those which goes to the very vitals of the life of the country. If the present condition of affairs is prolonged, it means panic; it means suffering; it means dull times, long hours and poor wages for the working people. Never is the country so prosperous as when the railways are prosperous. The talk that their tariffs must be reduced; that the railways are charging too much, is the most foolish of all. Your railway rates are less than those of any country known to civilized man. A trifling reduction which you would be able to get would not secure happiness or comfort to the great mass of people, but might cause great suffering to those very same ones. It might mean a trifling sum of money to some shippers, but it would be productive of loss to the great mass of workingmen.

If you can get public rates and the same rates to all, that is what you need. What you desire for the good of the country at large is more good tracks, good equipment and good service; and you can only get them by allowing the railways to charge fair prices for their services.

You have to trust your lives daily to the employes of the railways—to the men who manage down to the lowest employe who flags at the crossing. Are you willing to trust your lives to this large class of men whom you abuse continually? Do you suppose you can abuse the managers and still have the ordinary trainmen or employes loyal? Do you suppose you can have the railways run without accidents if the great mass of employes are to read daily in the newspapers and magazines, and to listen to the speeches of public men saying that the men over them are unworthy of confidence—are wicked and criminals? No, all this must stop.

Neither can you settle the condition of the Railways by different people and different managers running to Washington and claiming the protection of the President. In fact, we have got so hysterical and frantic that we seem to appeal

to the President for almost everything, like the peasant of Russia. When we find a train late, we say we will write the "Great White Father" in Washington and he will regulate and correct it.

I admire the stand taken by the President of the Pennsylvania Railroad, when he said he had no cause to go to Washington to confer with the President—that his Company desired to obey the law.

This is what all the railways must do—submit to the law. This is the first *sine qua non*. You must decide and indicate that your railways shall be managed according to the law. Wall Street must learn from the bitter experience of the last few months that the railways are not playthings—that their securities, as I have said before, are not counters in the game of speculation, and that they are entitled to legitimate dividends.

The burden of the work, however, of educating the people, is on the railway officials. You must

"Take up the white man's burden—
No royal rule of Kings,
But toil of serf and sweeper—
The tale of common things."

The resentment of the politicians in time will die away: The shipper will soon forget that his right to receive rebates was not inalienable and that the railways at least have not wronged him in stopping them. The members of Congress and the Legislatures who have been so accustomed to the free use of transportation that the purchase of a ticket seems like flying in the face of Providence, will find that it has been decreed by the people, and not by the railways, that they must receive no more free transportation, and they will in time stop abusing the railways for this change.

You must manage your railways so as to placate the public. While being conservative and protecting your interests, you must give the public the consideration that is due them. You must reason and explain your situation to Congress, to Legislatures, to City Governments, to Commercial bodies.

Above all, you must make your doings public; you must show (what I believe it is perfectly easy to show) that the railways of this country are not over capitalized; that not for an instant could they be produced for their present bonds and stocks.

Above all things, the Interstate Commerce Commission at Washington must be strengthened; its numbers should be enlarged; the salary of its members should be increased; it should be filled with the ablest men of this country and you

must cultivate them and act in harmony with them and show that you want nothing that is wrong, but want and must have your rights.

I desire to say that from years of experience with the members of the Interstate Commerce Commission, who have been there so long, I can testify to their worth and ability—to the unselfish manner in which they have tried to serve both the people and the railways, and when I say that the Commission should be strengthened I imply no disrespect of them, but they have so many new duties and so much more is expected of them than formerly, that it will require a large additional force to do the work and that force should be strengthened by good men.

I believe in time your position, instead of being looked upon as one of disgrace, as it has been for the last year, will gradually get back into public esteem until you will be looked upon, as you ought to be, as the best in the land—as the men on whose judgment and exertions the public prosperity of the country depends.

You have only got to be honest and to your own selves true, bearing for a little while the abuse and contumely of the present and the future will be yours.

By patience and time the legislation of Congress and of the States in reference to the railways must be harmonized. It will not do to have forty-six States passing forty-six different acts. So far as it is possible, all legislation in reference to rates should be left to Congress, but the States should exercise their full power as to repairs and the condition of the property, etc.

Above all, you must have legislation giving you authority to contract and make agreements between yourselves which can be enforced. These agreements must be public and in case of complaint, passed upon by the Interstate Commerce Commission. You must have legislation providing that no new railways shall be built or new stock and bonds issued, except with the approval of the Interstate Commerce Commission. I know this will cause a storm among some railway promoters, but, Gentlemen, you have got to submit and you might as well make up your minds now that you are no longer a private industry and he who is not prepared to manage his railway as a public institution in accordance with law, should resign and seek other business.

A new *evangel* must be preached in reference to the railways; they must be placed upon a higher plane, and instead of being considered by the ordinary people as pariahs, they must be considered by all as benefactors, and you who have struggled along so faithfully during the past years, doing many things that have been criticised, but doing them only

for your Company and not for your personal aggrandizement, you are the men to preach this new gospel and produce a higher and better condition of affairs.

You would think to-day from the interviews emanating from Wall Street that the railways are ruined; you would think from the interviews of the politicians and the demagogues that railway honor had departed from this earth; you would think from the interviews that you read in foreign papers, where probably the wish is father to the thought, that the day of American expansion and development had gone—that we were unable to manage such large affairs—but if you are faithful to your trust; if you have patience; if you have integrity, as I believe you have, you will outlive all these attacks—all these severe criticisms, and see a better day dawn for the railway interests of this country, and for yourselves as managers of those interests.

To this end every man—whether a shipper or an individual—every man who loves his country—every man who loves fair play—should join in aiding and abetting.

ADDRESS

OF

HON. CHARLES S. HAMLIN

CORPORATION COUNSEL, BOSTON CHAMBER OF COMMERCE, BOSTON, MASS., DELIVERED AT THE FIFTH ANNUAL DINNER OF THE TRAFFIC CLUB OF PITTSBURGH, HELD AT HOTEL SCHENLEY, FRIDAY EVENING, APRIL 26TH, 1907.

Mr. President and Gentlemen:

It was a great pleasure to me to receive your kind invitation to attend this dinner. As a member of the Boston Chamber of Commerce, whose best greetings I bring to you, I eagerly embraced the opportunity offered of meeting the members of this famous organization and of seeing at close range this marvellous city, with its wealth of enterprise, public and private, and filled with a people whose indomitable energy and character have made it stand forth as one of the most prosperous cities of the world.

I have had opportunities before this of observing the keen interest shown by the people of Pittsburgh in all matters affecting their interest. For years I have met delegations from Pittsburgh at the Conventions of the National Board of Trade at Washington and their ability, energy, and earnestness in behalf of what they believe to be the best interests of their city and State has always called forth my wonder and admiration.

The people of Boston look upon the prosperity of Pittsburgh without envy. We realize indeed that Nature has been lavish in her gifts, but at the same time we recognize that there are deeper causes of your success—causes founded on the character and indomitable energy of your people.

While, as I have said, we do not envy you your prosperity, we do, however, wish to emulate you. We have to face in New England serious handicaps, some natural, some imposed upon us. We are far removed from the sources of the raw materials of manufacture, which a manufacturing community must have; our natural advantage of proximity to the sea is in a large measure taken from us by the operation of national laws whose policy we almost as a unit deprecate.

There are, however, two factors which contribute in large part to the existing prosperity of Massachusetts, and these are:—

First, the marvellous skill of our labor, and secondly:—the fostering care of our railroads in giving us low rates upon our raw materials of manufacture and at the same time carrying our finished products at rates which put us on an equality in competitive markets with other more favored communities.

At a time when other portions of our country joined in indignant protest, which soon turned almost into a hue and cry, against the railroads, forgetting, for the time, in their natural indignation at certain acts which sober judgment must condemn, that the railroad is a great and effective power for industrial prosperity—the people of Massachusetts remained silent, placing implicit trust and confidence in the managers of the railroad properties of New England. Our people realize fully that the prosperity of our railroads is a necessary pre-requisite to the prosperity of our State; and, conversely, our railroad managers keenly appreciate the fact that the lasting prosperity of the railroads can come only out of the prosperity of the community they serve.

The State of Pennsylvania is equally fortunate with Massachusetts in the character of her railroad officials. They are men of heroic mould, well fitted to cope with and solve in a satisfactory manner the important problems with which they are confronted. I can well say that if all of the railroad officials of the country were of the high standing and character of Charles S. Mellen of the New York, New Haven and Hartford R. R., of Lucius Tuttle of the Boston & Maine R. R., of the late lamented President of the Pennsylvania R. R., Mr. Cassatt, of the present President, Mr. McCrea, and Mr. Thayer, the Vice President, the existing distrust and prejudice against our railroads would have died before it had been born.

The people of Massachusetts desire the help of our friends in Pennsylvania in working out our industrial salvation. We feel it to be imperative for our future welfare that we increase our trade with the great country lying to the north of us—The Dominion of Canada.

Few realize how far Canada projects southward into the United States. At a point near Windsor, Ontario, Canada reaches down almost to the latitude of Providence, Rhode Island.

Next to the United Kingdom and Germany, Canada is our best customer.

The Canadians bought of us last year over one hundred and fifty-seven million dollars of our products, while we bought of her only sixty-eight millions. That is to say, for

every dollar's worth of goods we buy of her, she buys over two dollars' worth of us.

We hear much of the necessity of increasing trade with South America; Canada buys of us each year more than the people of Mexico, Central America and South America combined.

The people of Massachusetts earnestly desire, among other things, that coal may be made reciprocally free of duty between Canada and the United States. We know that this would be of benefit to us especially when there is a shortage in the United States. It will not be difficult to show that it will be of equal benefit to Pennsylvania.

Last year Canada bought of us about five million tons of bituminous coal; we bought from her only one and a half million tons.

In other words, Canada buys over three tons of bituminous coal from us for every ton we buy of her. On every ton we import from Canada we have to pay duty to our government, and similarly, every ton of bituminous coal imported into Canada must pay duties to the Canadian government. It is not an over estimate to state that last year over a million dollars of duties were paid to the Canadian government by Canadian railroads alone on bituminous coal imported from the United States. If this duty could be abolished, it would be of great benefit to Pennsylvania, Ohio, Illinois and other coal producing States.

From a point a little to the west of Montreal to a point three or four hundred miles west of Winnipeg, the great bulk of the coal consumed in Canada is imported from the United States and a large part of this supply comes from the mines of Pennsylvania, Ohio, Illinois, and other States.

The extensive developments in all lines of industry now in progress in Canada are governed as to location largely by the cost and advantages in securing fuel. The general development of that part of Canada contiguous to the coal fields of Pennsylvania will develop a large volume of trade between Pennsylvania and Canada, not only in coal, but in many other lines of commerce. It should not be forgotten that coal territories in other States are being developed with which it may become difficult for the operators in western Pennsylvania to compete on account of disadvantages in distance, whereas the comparatively short distance between the western Pennsylvania coal fields and Canada makes Canadian territory a natural and logical market for the coal product of western Pennsylvania.

I must not forget, however, that the subject of my address this evening is the Public Duties of the Citizen, upon which subject I want to speak to you briefly:—

The citizen has various duties, just as he has various rights and privileges, but the burden of my theme—the principal thought running through what I have to say to-night is that wherever there exists a civic right or privilege, there also is a corresponding duty or obligation; that the former is but the complement or the supplement of the latter; that the two together make a united whole.

The citizen owes allegiance to no personal sovereign or ruler; he owes the highest allegiance to the government, State and National, which his fathers created for him. There is no conflict in this two-fold allegiance; it is recognized and affirmed in the United States Constitution. The citizen should render unto Caesar the things which are Caesar's.

At different times of our National life, popular attention has been concentrated, even for long periods of time, upon one of these dual systems of government to the partial or to the almost total eclipse, in the popular interest, at least of the other. At the foundation of the government under the Constitution, the National idea, of necessity, came to the front, for a National Government had been created. The people of the Sovereign States surrendered with much reluctance a part of their sovereign power. The great builders of the Constitution created a new Nation and under the interpretation of the great jurists, Wilson, Marshall, Webster and others, its growth has been steady and sure.

While at times the national idea, so-called, has been obscured it as a whole has steadily broadened and developed. It finally came into conflict with the extreme States Rights Doctrine, and out of that collision came the Civil War, from which the national idea emerged triumphant. The so-called States Rights Doctrine no longer, as once, marks the line of division between the two great political parties. In fact, today it serves, if the prevailing popular expression can be trusted, but as a kind of pound to hold in restraint or to furnish shelter to a few knights errant who have strayed from the ranks of the hosts of triumphant nationalism.

A striking example of this growth of the national idea is afforded by the use of the term "The United States." In the early years of the Nation these words were always used in the plural; in modern times, however, the words almost invariably take the singular. For example, article nine, of the Treaty of Peace with Great Britain, concluded in 1814, provided that "The United States of America engaged to put an end * * * to hostilities * * * with all the Indians with whom they may be at war.

On the other hand, article five of the Treaty of Peace between the United States and Spain, concluded in December,

1898, provided that: "The United States will * * * send back to Spain at its own cost, the Spanish soldiers."

This notable change in the usage of the words serves to illustrate well the apparent change in the spirit of the people.

We hear much at the present time as to the need of increased Federal power, such increase to be accompanied necessarily with a corresponding decrease in power existing, or supposed to exist, in the individual States. Some earnest, public-spirited citizens believe that Federal power under the Constitution has been exhausted with the enactment of present laws, and that a more comprehensive grant of power is needed. Others believe that the power already possessed by the National Government is ample for present and future needs and that further exercise of this power is simply a question of national expediency. Others seem to wish State powers to be curtailed in spite of constitutional limitations, if any there be.

It is not my purpose to-night to discuss the scope of the commerce clause of the Constitution, nor the laws passed to carry out the purposes of that clause, as interpreted by the courts. Let it suffice to say that wherever there exists in fact interstate commerce, that commerce is subject to the constitutional control of the Federal Government.

Nor is it my purpose to discuss here to-night the legal proposition whether or not Congress has the present power to develop along the lines of increasing centralization, apparently so dear to the hearts of many people. The theme I wish to discuss is the advisability of extending in a constitutional manner national control to subjects over which it has no present jurisdiction. Such centralization, in my opinion, even if made lawful, as to concrete instances, would not, if applied generally, enure to the welfare of the people, but would inevitably result in radical, revolutionary changes in our government.

There are many to-day who demand Federal control over insurance; others plead for a National divorce law; others clamor to have the National Government take over the control of all forms of corporate activity, ultimately resulting in interstate commerce, even to the point of controlling production within the States, thus interfering with the most important domestic relations between the States and the individual citizens.

In short, to many estimable citizens there seems to be an eternal, hopeless conflict between the National and the State Governments, which can be abated only by reducing the States to a condition of subordination scarcely consistent with any sovereign rights. Is such radical centralization necessary for the welfare of the people? Is it necessary to our salvation

that power should be given to or exercised by the Federal Government to lay down uniform rules as to individual conduct, controlling even the minutest details of the life of the individual citizen?

At the outset, we must recognize that laws which might be highly advisable for old, settled communities, might prove almost disastrous to young, growing States. Even in the individual States it is difficult enough to fix any standard which may not bear severely upon one section at the expense of the other. On almost all questions affecting the people as a whole there is the widest diversity of opinion and of individual need among the several States.

Yet the fact must be recognized that apparently many would welcome almost an obliteration of State lines creating one State instead of forty-five. Such a change might indeed be convenient, along the lines of uniformity, but it would absolutely overthrow the existing form of government.

Let us briefly consider where the application of this specious rule of uniformity would carry us.

We should have to take away from the States the right to fix the qualifications of those who vote for national representatives and for presidential electors. The Constitution gives to the people in the States the right to prescribe those qualifications and they have exercised it in such manner that the basis of suffrage differs radically. In some States aliens who have declared their intention to become citizens can vote for national representatives and for presidential electors; in most of the States they are excluded from the suffrage. In some States women can and do vote in elections for Congress and for presidential electors; in most States this obligation has not yet been imposed upon them.

We should also have to enact national laws covering all relations of contract between citizens of different States, wiping out all conflicts of law which now give the courts so much difficulty.

We should have to provide for the service of legal process of any court throughout the United States.

We should have to frame a national code of criminal law to supersede the laws of the individual States.

We should have to take under national control all production, whether corporate or private, in any way contemplating interstate commerce, and to do this effectively, every kind of production would have to be taken over, regulated and supervised by the Federal Government.

We should have to regulate the private lives of the people of the United States by enacting national marriage and divorce laws.

We should have to enact a national law as to the descent

of property, as to which there is a great lack of uniformity among the several States.

Finally, we should have to enact laws reserving to the National Government the right of imposing all taxation, direct and indirect, in order to do away with the painful lack of uniformity now existing, giving back to the States such portions of the taxes collected as, in the wisdom of our national legislators, is deemed necessary for their purely local needs and purposes.

If this uniformity could be secured by constitutional changes we would secure what, apparently, many would like—a single government, in effect, over the whole extent of the United States.

Would such a government be for the best interests of our people? I believe not. On the contrary, to quote the words of that eminent expounder of the Constitution, James Wilson, whose words have lately been quoted by the highest authority—

“To support with vigor a single government over the whole extent of the United States, would demand a system of the most unqualified and the most unremitted despotism.”

Every citizen should consider carefully whether modern tendencies are not drifting along this path declared to be so dangerous to the future of our government by this great expounder of the Constitution.

If, however, such an extraordinary increase of power should be granted by the people to the Federal Government by Constitutional changes, where could such power safely be reposed? While Congress could enact the necessary laws, these laws must be left to the executive departments for administration and execution. Can it be that these departments are so idle at the present moment that such extraordinary, new duties could properly be imposed upon them? Just the contrary is the truth.

The War Department, engrossed with the management of the army, with river and harbor improvements and with other public works, is fairly staggering under the additional burdens of the Philippines, the Canal Zone, and Cuba, not to mention Santo Domingo.

The Interior Department has all it can do to manage the public matters now assigned to it, among which are pensions, Indian affairs, patents, Alaska, and the other Territories, not to mention the public land system, with the vast fraud and corruption recently unearthed.

The Department of Commerce and Labor is well occupied with the census, bureau of navigation, lighthouse service, coast survey, fisheries, immigration, Chinese exclusion,

the bureau of labor, the investigation of corporations, and other important branches.

The Treasury Department, almost broken down with work, has only recently had to be relieved by giving many of its duties to the new department of Commerce and Labor.

The State Department seems fairly well occupied in managing the foreign affairs of the country.

It may be replied that new departments could be created. A little reflection, however, must surely satisfy one that such new departments, necessitating the employment of perhaps thousands of national officers and inspectors, would not be, in the long run, for the best interests of our people.

It should not be forgotten that there may be almost as much danger to the Republic from national centralization carried to the extreme limits as from the extreme expression of the States Rights doctrine which so nearly overthrew the Republic.

Nor should we forget that if these subjects should be given over to the national government every State law governing these matters would be null and void. National laws, as is well known, are often the product of compromise. Out of the conflict between rival claimants for the dredging of local rivulets, for example, there might be evolved a Federal insurance law which, in efficiency, might fall far below the present high standards of the laws of Pennsylvania, Massachusetts, New York, or of many other sovereign States.

What guarantee, however, is there that such a vast increase in Federal power would result in more efficacious control than is to-day afforded or could be afforded by the individual States? In my judgment, in the long run, national control is bound to be less effective than State control. Influences are more easily evoked to delay action at the Capitol of the Nation, perhaps thousands of miles from the locality affected, than in the home State. The gain from uniformity would be, to my judgment, swallowed up in the loss of local State control, always more effective when called into action in response to public sentiment.

There is another problem for thoughtful citizens to consider—is it prudent or safe to increase in this extraordinary manner the powers of the Chief Executive of the Nation?

It is hardly necessary to state here that in what I have to say on this topic I have in mind only the office of President, without the slightest reference to any of the distinguished occupants of the office since the Constitution has been in force. We must not forget that powers which we would cheerfully accord to individual Presidents we should never think of giving to others, although granting to all intelligence, ability, and the deepest patriotism.

The statement is often made that the President of the United States is the representative, the only representative of the whole American people, and that accordingly it is fitting to place in his hands the almost illimitable powers which increased centralization would entail. The claim that President Jackson was the representative of the whole American people was thus answered by Daniel Webster in a speech delivered in New York City—

“In addition to the establishment of this power of unlimited and causeless removal, another doctrine has been put forth, more vague it is true, but altogether unconstitutional, and tending to like dangerous results. In some loose, indefinite and unknown sense the President has been called the representative of the whole American people. He has called himself so repeatedly and been so denominated by his friends a thousand times. Acts for which no specific authority has been found either in the Constitution or law, have been justified on the ground that the President is the representative of the whole American people. Certainly this is not constitutional language. Certainly the Constitution nowhere calls the President the universal representative of the people. The constitutional representatives of the people are in the House of Representatives, exercising powers of legislation. The President is an executive officer, appointed in a particular manner and clothed with prescribed limited powers. It may be thought to be of no great consequence that the President calls himself, or that others should call him, the sole representative of the people, although he has no such appellation or character in the Constitution. But, in these matters, words are things. If he is the people's representative, and as such may exercise power, without any other ground, what is the limit to that power? And what may not an unlimited representative of the people do? When the Constitution expressly created representatives, as members of Congress, it regulates, defines and limits their authority. But if the Executive Chief Magistrate, merely because he is the Executive Chief Magistrate, may assume to himself another character, and call himself the representative of the whole people, what is to limit or restrain this representative power in his hands?”

Nor can I believe that there exists any necessity for further centralization of power. I believe that the people of New York, of Massachusetts, of Pennsylvania and of the other sovereign States, if aroused to the necessity of such action, are competent to enact all needed legislation concerning the matters reserved to the States and never surrendered to the Federal Government.

Each State, however, should carry out faithfully its duties

and its responsibilities under the National and the State Constitutions. If a State deliberately refuses to exercise its duties and permits the stream of interstate commerce to be fouled by its inaction, in my judgment it would be far better for the National Government to exclude its products from interstate commerce, if it has that power, until the State performs its duty, than to enter the State and perform this State duty by National inspectors.

It may be well for a time to cease talking of States' rights and to talk of States' duties; to cease discussing individual rights and to take up the subject of individual obligations. Let each State enact constitutional laws for the greatest good of the greatest number of its people; if those laws are found to conflict with the laws of other States, it will be for the most part, because different conditions prevail which no uniformity imposed from without could effectually control.

We should not forget, however, that in the bringing about of reforms the public should cultivate and keep in mind an accurate sense of perspective and should maintain a proper balance of legislation. This is peculiarly true as regards railroad legislation, whether State or National.

At the present time we have secured the passage of a national law which has absolutely wiped out rebates and all forms of favoritism among shippers and which will place every shipper upon an equality. While there may be instances where rates on individual products are too high, the national law, as recently amended, provides a simple and efficient method of correcting such abuses. The people of Massachusetts, at least, believe that there are other evils necessitating reform which must now be taken up. We believe that the question of freight rates, important as it may be, is comparatively insignificant when compared, for example, with the all important question of tariff taxation. We realize that freight rates, when the same for all, add very slightly to the cost to the consumer. We can bring a barrel of flour from Minnesota to Boston for fifty cents. It will cost fifty cents to carry that barrel of flour from the station three miles to the consumer's house. In other words, the local charge for three mile carriage is exactly the same as the railroad charge for fifteen hundred miles carriage.

What then is the duty of the citizen in the present state of affairs?

He should strengthen in every way the government of his State to restore to it the balance of power which, under the Constitution, belongs to it.

He should respect and render obedience to the laws of the land.

He should have sympathy for public officers and respect for authority.

He should attend the primaries with the same interest with which he attends to his private business.

He should see that his vote is recorded at elections as an almost sacred duty.

He should faithfully discharge the obligation imposed upon him of jury service.

He should never forget that the so-called right of suffrage is not a political right at all; it is a duty imposed for the public good rather than for his private benefit.

Yet we see many men at the present time who deliberately elect to keep aloof from all participation in civic affairs; many there are who never attend a primary, and with whom failure to vote at elections is the rule rather than the exception.

No citizen has a right to refuse to perform his civic duties.

Such refusal should be visited with indignation and contempt; he should be lashed to the polls with the indignant voice of public opinion.

If a State should refuse to participate in constitutional government it would amount to secession; the duty imposed upon the State is of no greater obligation than that imposed upon the individual citizen.

The citizen also should insist that, if further centralization is to be brought about, of course by constitutional methods, all representatives of the people should be elected directly by the people, and to this end we should insist that United States Senators be elected directly by popular vote, the necessary constitutional changes being made for this purpose. This method of election was advocated by James Wilson, and thoughtful people will be forced to conviction that such a change may become imperative.

There are many signs to-day that there has been an awakening; popular interest in civic duties was never keener. The citizen realizes more and more keenly the necessity for personal participation in civic matters and out of this aroused public sentiment will surely follow increased civic prosperity, both to the individual States and to our great national Republic.

ADDRESS
OF
MR. W. A. TERRY

GENERAL FREIGHT AGENT, PITTSBURGH & LAKE ERIE RAILROAD
COMPANY, AND PRESIDENT OF THE TRAFFIC CLUB OF PITTS-
BURGH, DELIVERED AT THE FIFTH ANNUAL DINNER
OF THE TRAFFIC CLUB OF PITTSBURGH, HELD AT
HOTEL SCHENLEY, FRIDAY EVENING,
APRIL 26TH, 1907.

Members and Guests of The Traffic Club of Pittsburgh:

Most heartily do we welcome you to the City of Pitts-
burgh, and to The Fifth Annual Dinner of The Traffic Club.
The storm and cloud which a year ago passed over Pitts-
burgh and burst upon San Francisco has given place to tran-
quility and restored confidence.

A year has passed, and what a year! The greatest com-
mercially in the history of Pittsburgh—the greatest in the
history of the country.

Standing in this place a year ago, President Bihler of
The Traffic Club stated that the business of the year just
closed (1905) in the Pittsburgh District was 110,000,000 tons.
To-night, let me state that the year of 1906 enjoyed the un-
paralleled prosperity resulting from a production of over 123,-
000,000 tons—a tonnage which if loaded in one train of cars
of 30 tons each would reach from Pittsburgh entirely around
the world—and one-third of the way around again.

The Pittsburgh District produces 65% of the Iron and
Steel of the State of Pennsylvania, and 32% of the United
States. It leads in the production of glass. Its citizens glory
in the achievements in the higher grades of machinery—its
enterprise has constructed the first steel barges to move
tonnage from the interior of the United States by river and
ocean to a foreign port.

The heart of the Pittsburgher thrills with pride as he
contemplates her many and unparalleled successes. It
matters not what the undertaking—it wins. In the broad
lexicon of these Captains of Industry there is no such word
as "fail." To the solution of the greatest industrial problems
which the people of this country have been called upon to

solve, Pittsburgh has furnished the "Key." Dame Fortune early assigned to Pittsburgh the distinction of being the pivotal point on which has swung the very prestige of the Nation. It was here that one of the earliest English commercial organizations in this country decided upon as the strategic point for possession of the rich Ohio and Mississippi Valleys. And the problem of gaining for the English, supremacy in that territory as against the aggressive French, could be solved only by holding the controlling point. Pittsburgh thus became the Key to the first great commercial as well as geographical problem which our English Fathers had to face.

Nor has the prestige won at that early day been permitted to wane—The very atmosphere seemed charged with the spirit of success—Half successes were equal to failure, and failures were but incidents in the steady and unswervable press toward final and complete achievement—until again Pittsburgh becomes the central and controlling point—the Key to another situation, that of industrial supremacy of the greatest Industrial Nation of the World.

Nor could it rest there—with the tremendous growth of the enterprises of Pittsburgh, the unparalleled development of the Railroads, it became manifest that if Industry and Transportation were to reach the maximum of Industrial and Commercial success it could only come through such a linking of interests, as would obliterate absolutely all deterrent lines and accomplish co-operation between them.

And so there was begun five years ago the solution of another of the country's great industrial and commercial problems—and again Pittsburgh furnished the key to the situation in the birth of The Traffic Club of Pittsburgh.

The Traffic Club realizes that there are many problems to be solved and it does not undertake to solve them all. But whatever its undertakings, its first great purpose is the establishment of close relations, personal and business, as between the representatives of the shippers and the carriers—and in no small measure has the traffic manager of the industrial concern and the railroad commercial representative assisted in bringing the two interests together. In a way they have been the arbitrator between the extremes of demand of either shipper or carrier, and each has assisted his superiors to a better understanding of the other's needs. A few years ago the industrial traffic manager was an experiment! To-day, he is a necessity. And it is to be hoped that the principle of "Co-operation" may be extended and encouraged by the employment of more of these traffic managers, each with the full confidence and support of principals.

With that foundation to work upon, what limits shall we place upon the possibilities for success?

Whatever may be the criticism of governmental officers by any interest, The Traffic Club has no quarrel with them—it has no quarrel with the Interstate Commerce Commission. We credit them with all honesty of purpose and a sincere desire to carry out the provisions of law, and in such cases as is permitted by the law, such discretion and judgment as their knowledge of either commercial or transportation affairs will permit. *It is to be regretted, however, that a body of the importance of the Interstate Commerce Commission should have among their number not one representative of either of the two great interests directly concerned—the shipper and the carrier*—not one man whose training could in any wise have acquainted him with the manifold difficulties or complicated problems of either—and it is due them to say that they have striven hard to obtain through the means at their disposal the broadest information possible. We are of the opinion, however, that if the commission is to confine its regulations to those which will accomplish the maximum of advantage to all concerned, as we fully believe they are, and avoid those which will hamper industry as well as transportation, it would be wise for them to have associated with them in a confederal capacity a small committee of representatives of those interests, in order to have always available to them that knowledge of the practical every-day requirements of those interests, which was denied them in the formation of their body.

And in the absence of such an arrangement, we urge every interest individually to co-operate with the commission in every possible way with a view of assisting them to the maximum of information and a comprehensive knowledge of the questions coming before them for consideration and action. Conferential work between the shipper and carrier has for several years been a peculiarity of the Pittsburgh relation between those interests.

The greatest move the shippers and carriers in Pittsburgh ever made was when they began the principle of confederal adjustments. Long before there was any thought of rate law agitation the carriers and shippers of Pittsburgh consulted together on practically all important moves and are doing so to this day. The only condition is that the parties in the conference shall be those sufficiently familiar with transportation problems to be able to see both sides and grant fair consideration to the questions before them. A man who sees only the side that affects his own greatest profit, regardless of the consideration due the other side, is not Traffic Club stock—is not capable of joining in an effort to improve

the situation by an adjustment fair to all. It is from the atmosphere of co-operation that The Traffic Club draws its breath—and in this soil of fair-mindedness takes its root. Of all places in the country, Pittsburgh presents currently the great commercial problems. A year ago the president stated as The Traffic Club's doctrine that we, the shippers and carriers, are partners in the great enterprise of producing and delivering the greatest amount of tonnage at the maximum of advantage and minimum of loss—and it is also a feature of Traffic Club doctrine that each partner must bear his full share of the common burden. The carrier profits most when the shipper works with least restriction, and the shipper succeeds best when he facilitates transportation most, and one needs little more to prove that this spirit has worked to wonderful advantage, than the simple statement that while during the past two years the tonnage of the country increased a little less than 20%, the tonnage of the Pittsburgh District increased 41%.

And to show that that great increase was accomplished by *co-operation and energy of carriers* jointly with the enterprise of shippers, another item is of interest—the increase in car capacity for the same period throughout the United States, was a little over 15%—while the Pittsburgh District railroads increased theirs nearly 29%—and while the traction power of engines throughout the United States during the same period was increased 15 1-3%, that of the roads serving Pittsburgh increased nearly 31%. And this is not all—the roads serving Pittsburgh added to their tracks during those two years nearly 2,000 miles in main track and other track facilities—enough to form a double track road from Pittsburgh to Chicago and another double track line from Pittsburgh to New York—and if the present plans of the various roads are carried out the improvement in equipment and other facilities in the future will find the carrier performing his full part in the up-building of this great industrial district. It is to be hoped, however, that the Pittsburgh roads may early have the benefit not only of new equipment but also that now owned and which is scattered to the four winds of Heaven, and that an understanding between railroads may be reached that will give the owners of cars either their own or the equivalent of them in the general circulation of cars in trade; and with the present facilities for financing legitimate plans for car purchase there is no reason in the world for any railroad in this country being without sufficient cars to take care of all the tonnage it produces.

Of such importance is it that it seems proper to refer again to the subject commended to the attention of The Traffic Club a year ago to-night; i. e., that of a thorough de-

velopment of the question of proper packing of freight before offering for transportation. Much of the damage of to-day is due to the failure of shippers to provide a package that will stand the risks of transportation. The speed of trains together with the use of air-brakes, has greatly increased the risk in transit. These conditions should, long ago, have been met by more careful provision in the way of security of package; whereas, in many cases the very reverse has been the case. There is no fairness in cheapening one party's cost at the expense of the other. It is the shipper's duty to provide a package which will meet all modern conditions.

That done, then of no less importance is the question of the carrier's obligation to shipper in the matter of loss and damage claims. Much progress has been made in the past few years in the methods of claim adjustment, but there are still too many carriers who seem to feel that the more money they can avoid paying in claims for known damage or loss, the better they have served their own interests. There never was a greater fallacy—a carrier has a right to the protection of shipper in the matter of safe packing; beyond that to refuse the payment of claims for known damage is as unfair as the refusal to pay any other legitimate bill. It does not matter if there is a doubt as to the individual road's responsibility—it was the carrier's responsibility and the several carriers should settle that matter between themselves. Nor should the payment of the claim be deferred until that responsibility has been fixed—let the carrier discharge his obligation to the shipper promptly, and settle the question of who is to blame with his connections afterward.

Much has been said of the present inadequate car supply of the country, and that subject is one which has been before the Traffic Club as well as other organizations for some time—and in spite of the fact that it has been plainly demonstrated that the holding of cars of shippers and consignees an unreasonable length of time is responsible for a very considerable portion of the shortage of cars, there are still those who, though crying loudly against the claimed injustice of the carrier's failure to furnish equipment, hold the equivalent of the number required in their own possession under load. Fortunately these are few in the Pittsburgh district.

It is also felt that much good could come if in the erection of plants the fathers of the new enterprise and the carriers could get together not for the purpose of railroad domination in the matter of arrangement, but to ensure full provision in the way of unloading facilities to avoid using cars as store-houses for raw materials or fuels. Whatever may have been the error either of carrier or of patron, in permitting improper car accommodation in the past, the manufacturer owes it to

other shippers, to himself and to the carrier—owes it to the entire commercial trade—to correct it, and provide himself with every facility which may be necessary to an immediate unloading of his cars.

So much for the part of shipper and consignee in the common cause: No less a responsibility rests upon the carrier—that the carrier's problems are complex, cannot be denied; that they are approached in the broadest spirit of consideration for the shipping interests, possibly may in some cases be doubted. That cars lay too long at assembling points and at interchange points is a too common fault. That all of these and many other difficulties have got to be overcome by the carrier, no fair-minded railroad man will contest. We earnestly hope that this realization will be followed by the carriers for themselves and with their connections, by prompt and persistent efforts until they have accomplished a service which the public has a full right to expect.

It is a question in our minds how far the carrier should reasonably go in those irregularities of trade known as re-consigning. The average traffic man desires to do anything within reason to assist the development of business, and while he is willing to recognize that re-consigning is in some cases a commercial necessity, it is certain that a great deal of the present requirement in that regard is absolutely not necessary; and the carrier is subjected to uncalled for cost, extra work and delay to equipment with no other purpose than to meet an abnormal and objectionable condition of business and which by a proper effort on part of shippers and consignees could be corrected. The subject is commended to the earnest consideration of our industrial friends, and we suggest that it be early given consideration by the Traffic Club at one of its meetings for discussion of practical questions.

But, gentlemen, these are small compared to another great duty the railroads owe not to the shippers only but to themselves. Commercial stability can only be had by a balance wheel of some sort. Failing confidence always accompanies the fall in an abnormally high price. The balancing influence should always be in the maintenance of uniformity in the prices rather than in effort to stem a stampede. It is well-known that the barometer of this country's prosperity is its iron and steel business—let that business slump and the business of the country generally becomes lifeless—let the iron and steel business thrive and all men prosper. But I doubt if it is as well known that for years one interest in this country by its wise provision has steadily refused the opportunity to add millions to its earnings by advanced prices because it felt that the advance would work an injury to the trade—and that serious consequences would follow. And

we know that many a dangerous rise has been checked by the policy of that interest in holding to a price consistent with conditions. But one interest cannot control the entire situation always—nor should conditions be such as would require it. There is a stronger regulating influence possible to-day than has ever been undertaken. And that balance wheel lies in the **purchasing power of the railroads**. Whatever prompted the short-sighted policy of discontinuing repairs to cars as business begins to slow down, and leave them on repair tracks and sidings untouched until resumption of business only to retard that business waiting to get those cars back into service again, beats all calculation—and it is equally as ruinous a policy to cancel orders for new equipment or fail to place new orders for needed equipment the minute business slacks off. *And the Traffic Club of Pittsburgh recommends to the executives of the railroads of the United States the adoption of a policy under which they will provide in dull times for the busy times. Don't hold up repairs when the car can be best spared for such repairs and then hold up the car for those repairs when it is needed for movement of traffic! Consider the wisdom of buying new equipment and supplies during the slack periods, and thus keep the car plant busy—stimulate the demand for steel—restore waning confidence and above all be ready to take advantage of the prosperity to follow by being quickly in the field with the equipment to move the tonnage and keep it moving.*

Now, there is one important phase of Traffic Club work which requires the help and support of our newspaper friends. Many newspaper readers have no direct interest in the question of the carriers' relation to the shipper, but it is with the greatest facility that they in these days assert that the railroads have been for years robbing the people. Ask them if *they* have been robbed or injured, and they will reply "No," but that the railroads have put their heavily watered securities in the hands of the widow, the orphan and the innocent public generally who expected the dividends which never came—forgetting also that until within the limit of the present period of prosperity, possibly 10 or 12 years, the railroads did not make much money and that with the immense advance in the costs of every item entering into operation of railroads they will not even now be able to share in the general prosperity without an advance in some of their commodity rates—forgetting these things, they complain that these advances in rates are also robbery—and when you suggest to them that the holders of railroad securities are entitled to some earning on the money invested, they, with wisdom born of no experience of their own, show you how absurd such a statement is since the securities are held by Wall Street financiers and not by the widow, the orphan, the innocent public generally.

Since the facts don't matter, anything will do for an argument, and since knowledge is lacking any sort of published information will do if it only has the true anti-railroad ring to it.

The Traffic Club does not concern itself with the financial affairs of corporations, but it does have to deal with public prejudice. There is no shipping concern no matter how small in which the Traffic Club has not an interest. There is no injustice as between shipper and carrier which it does not wish to see righted, but prejudiced minds cannot deal fairly and we need the assistance of the press toward the end of accomplishing the righting of *real*, not *fancied* wrongs. In a recent publication in a conspicuous place, in large headlines, there appeared these words: "RATE DISCRIMINATION," and in smaller letters underneath followed these words: "This time for charity." The wrath of the unthinking and unknowing reader is stirred as he contemplates this crime which these grinding corporations commit in spite of beneficent and proper rate regulation. The story was innocent enough, and was truthfully told. It was an announcement of a simple, humane act—that certain railroad officers, touched by the sympathy common to the hearts of all of us, had directed that their roads would move without any charge whatever, the supplies forwarded to the famine sufferers of China.

It is not the man most interested in the transportation problem that will be affected by things of that sort, but those who do not know, and cannot know only as they read it in the newspapers.

Gentlemen, we of the Traffic Club pray that the press of the country be as severe as the case warrants in case of crime—but just to the innocent. If a good thing has been accomplished, commend it—if a wrong thing has been done, condemn it—but discriminate. The Traffic Club seeks to remove obstacles in the way of the maximum of success of the shipper or carrier—can't we have equal co-operation from the greatest of all institutions for the education of the people—THE AMERICAN PRESS.

The Traffic Club is granted an unusual honor in the presence at its annual dinners of the most highly representative body of railroad and industrial men ever gathered together. Here are assembled in peace and harmony the representatives directly in charge of the two great interests which are so strenuously represented as being mortal enemies. Here in the best of good-fellowship, mingle those who are so often designated as the "robber and the robbed," the "deceiver and the deceived,"—the former guiltless of crime and the latter free from the marks of sand-bagging. A large number of you have come from a long distance in answer to an invitation

from an organization limited in number, without capital, without even a roof to cover its head, but with a purpose as unflinching as a Stoic and a principle which will outlast the Rock of Ages. We hope you have been repaid by a day of profit as well as pleasure—and we know that the feast of reason which is yet to come will be as satisfying to you as the material feast you have just partaken of. We congratulate ourselves on your presence. It indicates to us how wide is the range of approval of Traffic Club principles. With such support, let us hope that every other City of importance may follow the example of Pittsburgh, as have New York and Chicago—until this entire country shall be girdled by a chain of Traffic Clubs, each an influence in its own territory toward commercial peace and progress.

The Traffic Club may have its day and pass into history, but its principles and its influence will go on performing their part in shaping the destinies of men and their institutions forever.

Barton Myers.

Major John Pelham

Blues.

My Garnett

Sund May, Bejlar

Chancellorsville

Speech of Charles S. Hamlin
at Nantasket Beach,
Sat. Aug. 10. (1907)

4

The political situation in Mass. has become intensely interesting. ^{The} ~~the~~ people generally, wearied with the continuous advance in the cost of living, recognizing that, to speak mildly, a material part of that advance is caused by unjust Tariff taxation, demand ^{immediate} relief in the shape of lower taxes. The Republican machine leaders are madly striving for some avenue of escape in order to keep the subhood of the protected interests. They realize that the present surplus in the National Treasury makes the need of tariff reform more acute,

and they are much perplexed by the recent article of Mr. Roberts the U. S. Treasurer, setting forth the evils of a high surplus ~~brought about~~ by unnecessary taxation, and recommending a 13% reduction in tariffs and other taxes.

§ at the Republican meeting at Nantasset yesterday Thursday Senator Lodge mildly deprecated the surplus, altho stating that after all it was better than a deficit. The Republican administrations have had experience with both surpluses and deficits in modern times and undoubtedly their opinion is sound on this point.

The Senator, however, felt obliged not to content himself with the above generality

and devoted himself to the task of opposing a 13% tariff reduction, which Mr Roberts thought would reduce the surplus, and at the same time find some other way to accomplish the same result. ~~reduce the surplus~~ He opposed, as I think we all do, reduction of the internal revenue duties on tobaccos and whiskey. To the unthinking mind, it would be a somewhat difficult task to reduce a surplus when without lowering the taxes, which create it, except, ^{indeed,} by increasing Govt expenditures, which naturally the Senator did not favor.

But the Senator was equal to

4

Emergency
The ~~task~~, and suggested as
a ^{method} ~~means~~ of surplus reduction
the payment of the public
debt. It can not be denied
that this is a possible
means of surplus reduction.
It was resorted to by the
Harrison Administration
between 1884 and 1893 and
large sums were paid as
premiums for this purpose.
As a result, in part, of
this debt reduction, the
Treasury was stripped of
much of its reserve fund
and was much, ^{less perhaps} ~~weaker~~
than otherwise it would
have been to meet the
^{financial} crisis of 1890 to 1893, intensified
in large part by the Sherman
Silver Purchase Law passed
by the Republican administration.

wholly apart from the enormous
payments which would have
to be paid.

5

§ But there is another consequence
of payment of the public
debt, and that is that
through the basis of the
National Bank currency
would be destroyed. To
meet this objection Senator
Lodge suggests that it would
be better to have the National
Bank currency based on
the gold reserve. But to
accomplish this the gold
reserve would have to be
increased, and presumably
the full value of the bonds,
^{pledged} ~~paid~~ ^{now} would have to be
put into the gold reserve.
There are now ^{outstanding} ~~issued~~ ^{now} over
six hundred millions of
dollars in National Bank

Notes, and to give to these ⁶
notes the same security, ^{value} as to
that they have in the shape
of bonds, ^{after the transition had been made,} over six hundred
millions of gold would
have ^{been} ~~to be~~ taken out of
the circulation and imbonded
in the Treasury. Such a
scheme of contraction ^{of the currency} is
almost astounding!

§ To avoid tariff reduction and
save existing taxes on whiskey
and tobacco, a contraction
in the currency of 600 millions
of dollars is welcomed as
a principle of government
action. To such a pass has
protection brought our legislators!

§ When our Republican friends
object to a general reduction
of 13% in existing tariff taxes,

7

I am tempted to ask them
to point out a single industry
whose products are protected
which would be injured by
a reduction of 13% in its
protection and that of its
constituent parts.

would such a reduction injure the
steel industry, ^{the} coal industry,
the woollen industry, the
standard oil industry, the
Burb industry, the lumber industry?

§ We ought to be thankful, ~~to~~
to our Republican friends for
occasional admissions as to
the soundness of the Democratic
position on the question of
lower taxes. In his speech
Thursday Senator Lodge
laid down this eminent
sound proposition. He said:
[^{the surplus}]
"It means great imports and

that means that the country
is prosperous."

Formerly our Republican friends
have filled the air with
lamentations on the evils
of imports. They have depicted
the country with large
imports as doomed to
certain ruin, and yet Senator
Lodge actually cites the
huge surplus in the Treasury
brought about, in a material
part, by taxes on imports,
as a sure indication that
our country is prosperous!

~~The people of Mass. want
tariffs reborn and they
want it now. I believe the
Democrats of the old Bay
state will nominate by~~

§ The Administration at Washington, in order to avoid retaliatory duties which Germany has threatened to impose upon our exports, has just inaugurated a novel method of tariff reform. Not daring to bring up the question of tariff reductions in Congress, — for that would split asunder the Republican Party — it has given the country an example of tariff reduction by executive decree. It has made a treaty with Germany, to take effect without ratification by the Senate, providing that the export price abroad of German manufactures

~~fact~~

laws of the United States,
~~providing~~ that customs duties
 shall be levied on the market
 value abroad of imported
 articles, shall be construed
 so as to take the export
 price instead of the market
 value, under certain conditions.

The construction which all
 customs officers are thus
 ordered to put upon this
 law is absolutely contrary
 to the plain, expressed,
 command of Congress laid
 down in the Statutes, and
 furnishes a case of pure
 Executive usurpation.

The above and other clauses
 of this Treaty in effect
 permit German exporters

to fix their own values on //
the goods sent to the U.S.
and, to prevent any possible
annoyance it is further
provided that the special
agents sent by the Treasury
abroad to look up cases
of undervaluation must be
duly accredited to the foreign
governments and subject to
their approval. Furthermore
the U.S. Consuls in Germany
are no longer to put German
exporters to the annoyance
and trouble of swearing
to their invoices.

Without discussing the legal
phases of this Treaty, it is
sufficient to say that the
Germans must believe that
under it they can send goods

to the U.S. at a lower rate of ¹²
duty and if the language of
the Treaty means any thing
it must mean this.

§ ^{Substitute A} During the last Democratic
administration, the subject
of imports from Germany
received much attention and
the Democratic administration
prepared for Mr. Dingley, the
Chairman of the Ways & Means
Committee of the House, a draft
of law authorizing the Secretary
of the Treasury to detain at the
customs houses goods from
all countries which refused
to pass laws making false
oaths before U.S. Consular
officers punishable as
perjury. This law passed the
House, and it recorded the
the invoices to which were not sworn to above
officers authorized to administer oaths, and.

firm belief of the Democratic
 administration, ~~the~~ which, it
 is needless to say, was concurred
 in by the Republicans in the
 House, that all ^{ad valorem} duties should
 be impartially and faithfully
 collected and every effort
 should be made to ascertain
 just what ^{foreign market} the values in
 which the duty was based
 were. The obligation of the
 oath to invoices which
 both political parties tried
 to strengthen in 1896, has now
 been abolished, as to German
 imports, by the above
 Treaty.]

And now I want to ask
 the Republican leaders to

declare themselves in this
Treaty with Germany. Do they
favor it or do they oppose
it. As for myself I believe
in a reduction of Tariffs
taxation, but in a reduction
brought about by Congress,
or if you will, by a Treaty
ratified by the Senate, and
not in a reduction brought
about by Executive decree,
ordering Customs officers
to construe the laws of the
United States in a manner
plainly contrary to ^{their} letter and
spirit, which very construction
~~has been~~ Congress has expressly
declined to grant.

The Secretary of State, for whom it
is needless to state, I have the

greatest respect, announces that the mutual reductions of duties which the above Treaty brings about, gives a benefit ~~to our exports~~ of about ~~228~~ ⁷ millions of dollars ~~worth~~ ^{to} our exports to Germany, ^{as compared with less than 1 million} ~~only 2~~ ^{dollars to} ~~worth~~ of Germany's exports to us, ~~are benefited~~.

The fair deduction to be made, I presume, is that we have ~~lost~~ scored over Germany by ~~228~~ ⁷ million ~~to 2~~ ^{to 1 million}.

(This argument fails however to take into account the advantages to Germany from that part of the Treaty relating to lowering the export price as the market value of imports under the

Conditions named. Assuming the Treaty to be permanent, I believe that ~~two~~^{one} hundred million dollars would be no more than a fair consideration for what the German manufacturers think they are to receive under the new Treaty.

It may, of course, turn out that the Treaty does not give them all that they hope, but if it was intended to give and if it does give what they think it gives the above figures would not be excessive as the measure of their gain.

The people of Mass. want Taft's Reborn and they want it now. I believe our Party will nominate by

179

acclamation as their candidate
for Governor, the man who
today stands forth conspicuous
for his advocacy of tariff
reform, ~~one~~ ^{one} who perhaps
~~more~~ ^{better} than any other man
in the State represents the
almost universal demand
for reduction of taxation, one
whose election as Governor will
insure not only faithful
public service but ~~will strike~~
~~terror to the hearts of all~~
~~stand patters,~~ ~~Henry A~~
~~Wheeler~~ will, as well, announce
in no doubtful terms to the
Country that Mass. in the
issue of tariff reform, has
left its old allegiance and
has ~~joined~~ joined the Democratic
Party.

SPEECH OF CHARLES S. HAMLIN

AT

NANTASKET BEACH, SATURDAY, AUG. 10, 1907.

The political situation in Massachusetts has become intensely interesting. The people generally, wearied with the continuous advance in the cost of living, recognizing that, to speak mildly, a material part of that advance is caused by unjust Tariff taxation, demand immediate relief in the shape of lower taxes. The Republican machine leaders are madly striving for some avenue of escape in order to keep the support of the protected interests. They realize that the present surplus in the National Treasury makes the need of tariff reform more acute, and they are much perplexed by the recent article of Mr. Roberts, the U. S. Treasurer, setting forth the evils of a high surplus and recommending a thirteen per cent reduction in tariff and other taxes.

At the Republican meeting at Nantasket Thursday, Senator Lodge mildly deprecated the surplus, although stating that after all it was better than a deficit. The Republican administrations have had experience with both surpluses and deficits in modern times and undoubtedly their opinion is sound on this point.

The Senator, however, felt obliged not to content himself with the above generality and devoted himself to the task of opposing a thirteen per cent tariff reduction, which Mr. Roberts thought would reduce the surplus, and at the same time find some other way to accomplish the same result. He opposed, as I think

we all do, reduction of the internal revenue duties on tobacco and whiskey. To the unthinking mind, it would be a somewhat difficult task to reduce a surplus without lowering the taxes which create it, except, indeed, by increasing government expenditures, which naturally the Senator did not favor.

But the Senator was equal to the emergency and suggested as a method of surplus reduction the payment of the public debt. It can not be denied that this is a possible means of surplus reduction. It was resorted to by the Harrison Administration between 1889 and 1893 and high sums were paid as premiums for this purpose. As a result, in part, of this debt reduction, the Treasury was stripped of much of its reserve fund and was much less prepared than otherwise it would have been to meet the financial crisis of 1890 to 1893, intensified in large part by the Sherman Silver Purchase Law passed by the Republican administration.

But there is another consequence of payment of the public debt, wholly apart from the enormous premiums which would have to be paid, and that is that thereby the basis of the National Bank currency would be destroyed. To meet this objection Senator Lodge suggests that it would be better to have the National Bank currency based on the Gold reserve. But to accomplish this, the gold reserve would have to be increased, and presumably the full value of the bonds now pledged would have to be put into the gold reserve. There are now outstanding over six hundred millions of dollars in National Bank Notes, and to give to these notes the same security,

as to value, that they have in the shape of bonds, after the transition had been made, over six hundred millions of gold would have been taken out of the circulation and impounded in the Treasury. Such a scheme of contraction of the currency is almost astounding!

To avoid tariff reduction and save existing taxes on whisky and tobacco, a contraction in the currency of six hundred millions of dollars is welcomed as a principle of government action. To such a pass has protection brought our legislators!

When our Republican friends object to a general reduction of thirteen per cent in existing tariff taxes, I am tempted to ask them to point out a single industry whose products are protected which would be injured by a reduction of thirteen per cent in its protection and that of its constituent parts.

Would such a reduction injure the steel industry, the coal industry, the woolen industry, the standard oil industry, the beef industry, the lumber industry?

We ought to be thankful to our Republican friends for occasional admissions as to the soundness of the Democratic position on the question of lower taxes. In his speech Thursday, Senator Lodge laid down this eminently sound proposition. He said:-

"It (the surplus) means great imports and that means that the country is prosperous".

Formerly our Republican friends have rended the air with lamentations on the evils of imports. They have depicted the country with large imports as doomed to certain ruin, and yet Senator Lodge actually cites the high surplus in the Treasury,

brought about, in a material part, by taxes on imports, as a sure indication that our country is prosperous!

The administration at Washington, in order to avoid retaliatory duties which Germany has threatened to impose upon our exports, has just inaugurated a novel method of tariff reform. Not daring to bring up the question of tariff reductions in Congress, -for that would split asunder the Republican Party-it has given the country an example of tariff reduction by executive decree. It has made a treaty with Germany, to take effect without ratification by the Senate, providing that the laws of the United States, that customs duties shall be levied on the market value abroad of imported articles, shall be construed so as to take the export price instead of the market value, under certain conditions.

The construction which all customs officers are thus ordered to put upon this law is absolutely contrary to the plain, expressed, command of Congress laid down in the statutes, and furnishes a case of pure executive usurpation.

The above and other clauses of this Treaty in effect permit German exporters to fix their own values on the goods sent to the United States, and, to prevent any possible annoyance, it is further provided that the special agents sent by the Treasury abroad to look up cases of undervaluation must be duly accredited to the foreign governments and subject to their approval. Furthermore, the U. S. Consuls in Germany are no longer to put German exporters to the annoyance and trouble of swearing to their invoices.

MADE IN U.S.A.

Without discussing the legal phases of this Treaty, it is sufficient to say that the Germans must believe that under it they can send goods to the United States at a lower rate of duty, and if the language of the Treaty means anything, it must mean this.

During the last Democratic administration the subject of imports from Germany received much attention and the Democratic administration prepared for Mr. Dingley, the Republican Chairman of the Ways and Means Committee of the House, a draft of law authorizing the Secretary of the Treasury to refuse delivery of imported goods unless the invoices of these goods were sworn to abroad before some officer authorized by the laws of the foreign country to administer oaths and unless these foreign laws made perjury an indictable offence. This law passed the House of Representatives but was not acted upon by the Senate. It recorded the views of the Democratic administration, which it is needless to say, were concurred in by Republicans and Democrats in the House that ad valorem duties should be impartially and faithfully collected on the full foreign market value of the goods and that every effort should be made to ascertain just what that foreign market value was.

The new Treaty also provides, apparently, that in the future Consuls shall not require oaths to invoices at all, although up to this time they were authorized when they suspected undervaluation to require such oaths.

And now I want to ask the Republican leaders to declare themselves on this Treaty with Germany. Do they favor it or do

they oppose it. As for myself, I believe in a reduction of tariff taxation, but in a reduction brought about by Congress, or if you will, by a Treaty ratified by the Senate, and not in a reduction brought about by executive decree, ordering customs officers to construe the laws of the United States in a manner plainly contrary to their letter and spirit, which very construction Congress has expressly declined to grant.

The Secretary of State, for whom it is needless to state, I have the greatest respect, announces that the mutual reductions of duties which the above Treaty brings about, gives a benefit of about seven millions of dollars to our exports to Germany as compared with less than one million dollars to Germany's exports to us.

The fair deduction to be made, I presume, is that we have scored over Germany by seven millions to one million. This argument fails, however, to take into account the advantages to Germany from that part of the Treaty relating to taking the export price as the market value of imports under the conditions named. Assuming the Treaty to be permanent, I believe that one hundred million dollars would be no more than a fair consideration for what the German manufacturers think they are to receive under the new Treaty.

It may, of course, turn out that the Treaty does not give them all that they hope, but if it was intended to give and if it does give what they think it gives, the above figures would not be excessive as the measure of their gain.

The people of Massachusetts want Tariff Reform and they want it now. I believe our Party will nominate by acclamation as their candidate for Governor, the man who today stands forth conspicuous for his advocacy of tariff reform, one who perhaps better than any other man in the State represents the almost universal demand for reduction of taxation, one whose election as Governor will ensure not only faithful public service, but will, as well, announce in no doubtful terms to the country that Massachusetts, on the issue of tariff reform, has left its old allegiance and has joined the Democratic Party.

Pan American Financial Conference

ADDRESS

OF

CHARLES S. HAMLIN

Governor of the Federal Reserve Board

BEFORE THE

PAN AMERICAN CONFERENCE

MAY 25, 1915



WASHINGTON
GOVERNMENT PRINTING OFFICE
1915

ADDRESS OF CHARLES S. HAMLIN, GOVERNOR OF THE FEDERAL
RESERVE BOARD, BEFORE THE PAN AMERICAN CONFERENCE,
TUESDAY, MAY 25, 1915.

MR. CHAIRMAN AND GENTLEMEN :

This Conference of the sovereign nations of the Western Hemisphere with the Secretary of the Treasury of the United States is an event of deep significance to the whole civilized world.

If your deliberations are successful it will not only add to the prestige of the nations involved and to the distinction of the delegates, but, as well, it will add another achievement to the many already to the credit of the Secretary of the Treasury, and will place another laurel wreath upon the brow of the President for his victories in the cause of peace.

The scope of your deliberations, necessarily limited to the subjects assigned for discussion, need have been limited only by the confines of human knowledge. When we consider the achievements of the nations whose representatives are gathered here we realize what a wealth it constitutes, for you could speak with authority upon the achievements of your citizens in the realms of science, philosophy, art, music, education, history, medicine, or international law, as well as upon the questions you have come together to discuss. That limitations necessarily had to be imposed upon your deliberations, thereby restricting them to the field of commerce, transportation, and finance, is perhaps, after all, an advantage, for to discuss the many important contributions to the world's advancement made by those nations would require such time that from the very nature of things it could not be given.

I take it that the object of every government is to secure the greatest good of the greatest number of its people, and I believe the world realizes to-day that the prosperity of the people of one nation, in the long run, tends to the prosperity of those of other nations, while the adversity of one people must ultimately tend to the adversity of others. Just as the individual prospers best when his country prospers, so the nation prospers best out of the prosperity of all nations. [Applause.]

In past centuries this great truth was not realized. On the contrary, it was boldly advanced by thinkers and philosophers that each man is arrayed against his fellow man; that the gain of the one is the exact measure of the loss to the other; that competition be-

tween individuals, whether in warfare or in commerce, must ultimately mean the destruction of the weaker and the gain of the stronger. So, also, it was believed that as between sovereign nations the precise measure of the gain to one from international trade was the measure of the loss to the other.

Fortunately, however, such doctrines have not survived, and when occasionally they show their heads above the surface they are recognized as but temporary deviations from well-established rules of action. The world recognizes to-day that sympathy and cooperation are the most powerful factors in working out the social and industrial welfare of the individual, and that the same principles apply to the relations of one sovereign nation to another.

Furthermore, the fact so cogently pointed out by Adam Smith, the great economist, that both nations gain by dealings in international trade is now accepted by all nations as a guiding principle, although, to be sure, many nations have somewhat obscured the principle by the levying of customs duties upon imports far above any possible need, either for revenue or for industrial development.

It is also true that the nations to-day are beginning to recognize that they have products, whether of agriculture or manufacture, which they can create in such quantities that they are obliged to seek and obtain for them, or for a portion of them, foreign markets. They further realize that they must accept, in great measure, as payment for their exported products, goods imported from these countries purchasing their exports or from other countries for their account. In other words, speaking generally, every bale of goods exported from a country must be paid for by a bale of goods imported into the country. The actual payment may be made by the delivery of so-called "bills of exchange," but these bills of exchange, in a very large measure, are but symbols of property or are a claim for money based upon the sale of property. The merchant ships his goods abroad, but he sells the bill he draws upon the foreign purchaser to some domestic bank, and these bills, representing property, are used to offset similar bills drawn by foreign sellers against imports into the country. If the exports and imports of the country do not furnish bills of exchange enough to balance, then gold or its equivalent is used or, perhaps, loans, but these latter play a relatively minor part in international exchanges.

It would be impossible for a country to shut itself off from other countries and still hope to continue its exports, receiving payment in gold instead of in goods. If we assume—what is impossible of realization—that any country could shut off its imports and continue to export, receiving gold for its exports, within a very few years it would cripple the exchange system of all foreign countries by the

amount of gold it would take from them, but long before that point could be reached the importation of gold would so raise prices as to effectually stop its exports.

Trade, as now generally recognized, means buying as well as selling, and in so far as this conference has to do with trade and with the means and methods for increasing trade, it has to do with the increase of buying as well as with the increase of selling.

We all recognize to-day the real interdependence of nations; they are especially interdependent from the aspect of trade and commerce. The nation of large resources recognizes that in the long run it is for its own profit to strengthen this interdependence by furnishing the nation of smaller resources means to meet trade indebtedness to it. It should never be forgotten, however, that in the long run this indebtedness must be met by the shipment of goods, whether from the debtor country or from some other country, for its account, to the creditor country.

The question, however, which must be foremost in your minds is just what the United States can do in assisting other nations to finance their trade movements, both with the United States and with the other nations of the world. As to the amount of capital at present available in the United States for such purposes and the working out in detail of any specific plans or suggestions it is not my province to speak. I shall leave that field open to the delegates assembled here, and especially to my colleague, the Honorable Paul M. Warburg, who can speak with the authority of a master on every detail of international finance. [Applause.]

The message which I wish to bring to you to-day, however, is that the United States was never before in such a position as it occupies to-day to reach out and extend its trade by granting credit to those nations who wish to be its customers.

The dislocation of foreign trade caused by the present war furnishes the United States with a great opportunity, inasmuch as nations which for generations have had the relation of purchaser and seller now find these relations disrupted.

The United States also has but recently placed itself upon a sound financial foundation by enacting a new banking system, which, together with the reform laws already enacted, I believe will constitute one of the strongest systems in the world. [Applause.]

Furthermore, the new system of banking inaugurated by the Federal reserve act has provided an opportunity to our people of financing our foreign trade. It has economized the use of credit and capital. It has increased its efficiency, which will enable us, as I have said, to engage in financing trade movements with and between foreign countries, which will do much to build up our international trade

exchanges, particularly with the great nations whose representatives are here assembled.

This leads naturally to consideration of the banking system which has lately been organized under the Federal reserve act. In order to understand the changes brought about by the new banking system we must briefly consider what the former system was, its defects, and how these defects have been remedied in the new system.

Prior to November 16, 1914, when the new Federal reserve banks opened their doors, we had approximately 7,500 banks in the United States chartered by the National Government, and having the sole right to issue notes known as national-bank notes. The capital and surplus of these banks was a little under 2 billions of dollars, and taken in connection with their deposits represented a banking power of over 9 billions of dollars. There were also over 20,000 State banks, trust companies, and savings banks, chartered by the respective States, representing a capital and surplus of a little over 2 billions of dollars, and including deposits, representing a banking power of over 14 billions of dollars.

These banks, both National and State, were independent and isolated, except as to a limited interdependence of some State institutions through stock ownership. They together constituted over 30,000 individual units, between which in times of financial stress effective cooperation was impossible.

Leaving out of consideration for the moment the State banks, there were in the United States over 7,500 independent units called national banks, each, as I before stated, having the power of note issue and each bound to keep in its vaults and with other national banks in certain cities, called reserve cities, a reserve fixed by law.

Under the national-bank act, however, these reserves were, in effect, sealed up and could not lawfully be used, even in times of financial stress. A bank whose lawful reserve was below the legal limit was bound to restore it, and if it was not restored within a specified time the Comptroller of the Currency could place a receiver in the bank.

The merchants and farmers of the country were often refused credit—the very essential of business life—and yet they could see these sealed-up reserves, ample for relief purposes, and yet denied them. They were in the position of a man weakened by hunger looking through a plate-glass window observing every kind of food which he is told is for his benefit, and yet no morsel of which can he under any circumstances be permitted to eat.

As a result, in times of financial stringency, each bank had to protect itself regardless of the condition of other banks, and had to fortify itself against its demand obligations by piling up reserves far above the prescribed limit. To do this it had to call loans or

refuse to renew or make new loans during the stringency. The necessary result of this procedure was to make the stringency even more severe, and the hoarding of its resources by the individual banks quickly led to hoarding by individuals, thus throwing the whole banking system into confusion and ruining thousands of merchants who were unable to obtain the assistance to which under ordinary circumstances they would have been clearly entitled.

During the latter part of the panic of 1907 it was found that some banks which by law need carry only 15 per cent reserves were actually carrying reserves of between 40 and 50 per cent of their deposits, while in 1914 the reserves of some banks amounted to 70 per cent. It is also a most significant fact that at the height of that panic over 200 millions of dollars in cash were being carried by the banks, in their vaults and with their reserve agents, in excess of their legal requirements. If these 200 millions of resources could have been used for the common benefit, such a panic would not have taken place.

Under our old system the banks of the United States were in the position of an army entering into action as a disorganized body of individuals, without a single officer and without a single company, battalion, regiment, or brigade. That our oft-recurring panics under the old system did not involve more of our banks and their customers in general ruin is one of the wonders of financial science and is a great tribute to the marvelous recuperative powers and unrivaled resources of our people.

Under our old financial system—or, rather, lack of system—every dollar loaned by a bank on commercial paper was a dead investment, as if buried in the ground, until the day of maturity. The paper, when discounted, was lowered into the vaults of the bank with almost funeral ceremony; in fact, the national banks were but mausoleums for dead commercial paper, and if a bank president with ghoulish propensities were to open the vaults and try to dispose of any of the paper stored there, before its resurrection on the day of maturity, the act would have been looked upon with suspicion. As a result, when a bank had made all the loans it could its power to aid its customers absolutely ceased, and many a merchant of high standing and good credit had to be refused further assistance, to his injury and possible disaster.

Every bank had to arrange so that some of its resources should be invested in so-called liquid assets, so that in times of financial stress they could instantly realize upon these assets. As a result funds which otherwise might have been loaned to farmers and merchants were sent to the large financial centers of the country to be there invested in call loans upon stock exchange collateral—that is to say,

upon bonds, stocks, and other securities which represented no commercial transactions, but which, in many cases, simply represented speculative activities. When, however, in times of stress these loans had to be called it was often found that what was considered to be a most liquid asset was, for the time being, no asset at all—as witness the period in the summer of 1914, when these so-called liquid assets were absolutely debarred from sale by the closing of the stock exchanges.

Furthermore, under the old system the national banks issued so-called national-bank notes, which were originally designed to constitute an elastic currency, rising and falling in response to the demands of agriculture and commerce. Unfortunately, however, these notes had no such elasticity as was thus ascribed to them, because of the fact that their issue was not controlled by or based upon business development; on the contrary, these notes were indissolubly chained to Government bonds, which had to be pledged with the Government as collateral. These Government bonds were neither issued nor regulated by the expansion or contraction of trade and commerce. They were fixed in amount and fluctuated in value in no fixed ratio to the development of those branches of business. As a fact, it was the fluctuation in value of these bonds which influenced the expansion or contraction of the national-bank notes rather than an expansion or contraction in business. When business slackened and contraction of these notes was desirable, the notes responded but feebly, and in some cases actually increased in amount; while, on the other hand, when expansion was desirable to accommodate increasing trade, the notes at times actually decreased; and at other times when they responded to the need for expansion the response was so belated as to take effect only when the necessity for the expansion had ceased.

This alliance of national-bank notes with Government bonds was a strange one. The national-bank notes, supposed to be a measure of the development and expansion of trade, were linked to and governed by the fluctuation in value of these bonds, which represented war, the destruction of trade, and the past dire necessities of the Government. Thus these national-bank notes, intended to represent the progress and development of trade and commerce of the twentieth century, were linked to the evidences of destruction of trade and commerce of the nineteenth century. There may have been a reason for this strange alliance in the nineteenth century owing to the necessity for finding a market for Government bonds, but in this twentieth century there is certainly no good reason for its continuance.

Furthermore, under the old system the national banks were not able to finance our foreign trade, because under the law they could not lend their credit in the form of acceptances. As a result our foreign trade had to be financed in London and on the Continent,

and the expression now so frequently heard—dollar acceptances—was merely an ideal as far removed from practical realization as the moon is distant from the earth.

For example, we buy large quantities of raw and manufactured silk from the Orient. This silk goes direct to the Pacific ports of our country; it is taken overland by special train. The bill of exchange, however, drawn for the selling price, is drawn upon a foreign bank and is sent, together with the bill of lading and other documents, east to London, or it may even pass through the United States on its way to the foreign bank upon which it is drawn, later to be returned to the United States for final discharge of the obligation of the purchasers in this country.

The lack of cooperative union or confederation between the individual banks and their reserves also weakened the ability of the banks to conserve the supply of gold, the standard of value in the United States, and as a result the movement of the precious metals from the country, even when in strict accordance with the laws of trade and of ultimate advantage to the United States, was looked upon with anxiety as a symptom of financial trouble, causing uncertainty and lack of confidence.

I have tried to show some of the defects which existed under our former system—the lack of cooperation between the individual banks, the lack of any system by which the reserves could be either used by the individual banks or consolidated into a common fund for the benefit of all the banks, the impossibility of rediscounting commercial paper once discounted by the banks, its lack of liquidity, and the consequent necessity for investment of part of the bank's assets in call loans as the most liquid investment possible, the lack of a genuine elastic currency, and, finally, the lack of power to finance our foreign trade through the loaning of credit by means of acceptances.

The question naturally arises just how the Federal reserve act has remedied these conditions, placing the United States upon a firm banking foundation. I shall try to answer this question briefly.

It should be clearly understood that the Federal reserve act does not add a dollar of money to existing stocks held by the banks or by the people, and also that, while it gives the national banks some valuable new powers and privileges, it does not change their inherent structure or their present charters.

Just what, then, has the Federal reserve act accomplished? While the act is a long one, containing much minute detail, its underlying principles are simplicity itself.

In the first place, it divides the United States into 12 districts, each district containing approximately from 500 to 700 national banks.

The national banks in each district unite in forming a new bank called the Federal reserve bank, to which each national bank contributes 6 per cent of its paid-up capital stock and surplus to provide the necessary capital.

The individual capital of these 12 Federal reserve banks varies, respectively, from a little under 5 millions to a little over 20 millions of dollars. The total capital of the 12 banks (not counting State institutions which may ultimately become members) is a little over 100 millions of dollars.

At the present time only one-half of the capital payments have been called, and the total paid in by all the national banks amounts to a little over 50 millions of dollars.

We thus have 12 Federal reserve banks with a total capital of over 50 millions of dollars paid in and about as much more subject to call by the Federal Reserve Board when and if needed. This capital, under the terms of the Federal reserve act, has been paid in gold or gold certificates.

The 12 Federal reserve districts vary greatly in area and in population. For example, the Federal reserve district of Chicago has a population of over 12 millions of people, exceeding the combined populations of Norway, Sweden, and Switzerland.

On the other hand, the area of the Federal reserve district of San Francisco (683,852 square miles) is so extensive that you could place within it England, Scotland, and Ireland, the whole of continental France, Italy, and Germany and still have left an area exceeding that of all the New England States combined, excepting only the State of Maine.

In addition to the capital payments I have before mentioned, each national member bank is obliged to pay to its Federal reserve bank a certain portion of its legal reserve, which portion, however, it still counts as part of its reserve. These payments of reserves are spread over a period of three years, and the total payments will amount to over one-third of the total reserves held by the national member banks.

Up to the present time about 295 millions of reserve money has been thus paid to the 12 Federal reserve banks, and at the end of three years over 400 millions will have been paid in, which latter amount will be, of course, greatly increased by the admission of State banks and trust companies. At that time all the reserves of the member banks must be held in their vaults or with the Federal reserve bank, the privilege of keeping their reserves in part in approved banks in reserve cities ceasing at the end of that period. This will necessarily largely increase the amount of money deposited by the member banks in the Federal reserve banks.

In addition the Secretary of the Treasury may deposit the general funds of the Treasury—excepting only certain trust funds—with the Federal reserve banks, and disbursements of the Government may be made by checks drawn against such deposits.

The national banks in the 12 respective districts (and State banks which may join the system later) are the only stockholders of the Federal reserve banks, and their stock can not be transferred or hypothecated. The stock is entitled to a 6 per cent annual cumulative dividend, and one-half the net earnings of the Federal reserve banks may be paid into a surplus fund until it amounts to 40 per cent of the paid-up capital stock.

All net earnings over and above this dividend and surplus are paid to the United States as a franchise tax.

Each Federal reserve bank is managed by a board of directors, consisting of nine members, of which three are appointed by the Federal Reserve Board and six are elected by the member banks, three of the six directors representing the banks and three consisting of members who at the time of their election were actively engaged in commerce, agriculture, or some other industrial pursuit.

These 12 Federal reserve banks are under the control and direction of the Federal Reserve Board, consisting of the Secretary of the Treasury and the Comptroller of the Currency, ex officio, and of five other members appointed by the President and confirmed by the Senate.

The Federal Reserve Board sits in Washington, D. C. It appoints, as I before said, three directors on the board of each Federal reserve bank; it has general powers of supervision and examination of the Federal reserve banks and the member banks; it may suspend or remove, for cause, any director or officer of the Federal reserve banks; it may suspend the operation of any Federal reserve bank and liquidate or reorganize such bank; it defines the paper which may be rediscounted by Federal reserve banks; it has power to review and determine the rates of discount established from time to time by the Federal reserve banks for the discount of commercial paper offered by the member banks; it regulates the open-market powers of the Federal reserve banks; it has power to suspend every reserve requirement of the act if it deems such course necessary; and it has many other specific powers which I need not mention here.

Each Federal reserve bank is independent of every other. They are empowered, however, with the permission of the Federal Reserve Board, and at rates fixed by the board, to rediscount the discounted paper of any of the other Federal reserve banks, and can be required to do so by the affirmative vote of at least five members of the Federal Reserve Board.

The act also creates a body known as the Federal Advisory Council, one member of which is elected by each Federal reserve bank. The duties of the council are to confer with the Federal Reserve Board and to advise it as to matters connected with discount rates, note issues, reserve conditions, open-market powers, and similar questions.

I have thus given a skeleton outline of the Federal reserve system. Many details I have had to omit for fear this address would take on the quality and length of a treatise or textbook. I think, however, that what I have outlined will give a fair understanding of the scope of the system.

The question remains as to how the Federal reserve act remedies the defects which I have outlined as characteristic of the old system.

The first fundamental defect of the old system pointed out by me was that each national bank was independent, and that as a result we had 7,500 independent banks and 7,500 scattered reserves, no effective cooperation being possible, nor could the individual reserves even be drawn upon legally by the very banks which owned them.

This defect is remedied under the Federal reserve act through the capital and reserve deposits placed by each member bank with its reserve bank. These payments constitute a substantial fund—already about 350 millions of dollars, and constantly growing—which must be used by the Federal reserve banks for the benefit of the member banks and their customers—the people of the United States.

These funds are held for use in discounting commercial paper offered by the banks for discounting acceptances and for certain open market investments which I shall not undertake to enumerate to-day. Any bank desiring funds can take its commercial paper to the Federal reserve bank and obtain gold or lawful money in exchange. This privilege enables a bank to loan freely in times of commercial stress and to draw down its available resources far below what would have been considered prudent under the old system, for the commercial paper discounted by the banks under the new system is as good as gold, as it can be turned into cash or a cash credit at once at the Federal reserve bank upon request. This privilege also makes commercial paper a genuinely liquid investment, whereas under the old system such investments were absolutely dead until the day of maturity. Such commercial paper is far more liquid than a loan upon investment securities, for the loan upon commercial paper presumably liquidates itself, as the borrower receives from the consummation of the commercial transaction—to assist which the note was originally discounted—the money with which to pay it.

It should, moreover, be pointed out that every dollar paid into the Federal reserve banks by the member banks—including all deposits

made by the United States Government—is impressed with a trust, in that it must be used (excepting as to certain open-market investments) only for the discount of paper issued or drawn for agricultural, industrial, or commercial purposes, whether in the domestic or foreign trade, and can never be invested in or loaned upon speculative securities or even upon real estate transactions.

The second fundamental defect in the old system which I have pointed out was the lack of a really elastic currency. The Federal reserve act remedies this defect by providing for the gradual payment and cancellation of the national-bank notes, and, further, by giving authority to the Federal Reserve Board to issue to Federal reserve banks applying therefor obligations of the United States known as Federal reserve notes. The bank obtaining such notes must deposit with one of the Government directors, known as the Federal reserve agent, as collateral commercial paper approved by the regulations of the Federal Reserve Board up to the face value of the notes thus issued, and in addition must maintain a gold reserve of 40 per cent against such notes. These notes will constitute a truly elastic currency, rising and falling with the rising and falling of agriculture, trade, and commerce. No limit is imposed upon their issue. Such a note could conceivably be issued against every commercial or agricultural transaction represented by commercial paper which has been discounted by member banks. When, however, the commercial paper liquidates itself, and the maker uses the funds received from the transaction to pay off the note, the Federal reserve notes issued against that paper must be returned and canceled, or the amount of the notes thus paid must be retained by the Federal reserve agent against the Federal reserve notes until they are returned and canceled.

The Federal reserve notes will also serve to protect the gold supply of the United States, for much of it, sooner or later, will go into the vaults of the Federal reserve banks and Federal reserve notes will be issued in its place.

The Federal reserve act also authorizes national banks, for the first time, to accept bills of exchange growing out of the import and export trade under certain reasonable regulations, and the Federal reserve banks are also authorized to discount such acceptances. This grant of power is a most valuable one and will enable our banks to finance our foreign trade by loaning their credit upon these acceptances. By this grant of power the so-called "dollar acceptance" is made for the first time possible, and this means much for the future development of our trade, especially with the great nations of Central and South America, and will add much to our ability to assist them in financing their sales to and purchases from the United States.

The Federal reserve act, however, has done much more to help make possible closer trade relations with foreign countries. The Federal Reserve Board is given power to permit national banks to establish branches in foreign countries, and it is at once apparent what a great assistance this will be, not only to the United States but likewise to the great nations who are trading with the United States, especially those whose delegates are assembled here. Branches of national banks have already been authorized in Argentina, Brazil, Panama, and other countries, and it is confidently expected that a great development in our trade relations with such countries will result. [Applause.]

The Federal Reserve Board is also authorized to permit the Federal reserve banks to open and maintain banking accounts, appoint correspondents, and establish agencies in foreign countries, for the purpose of purchasing and selling bills of exchange arising out of commercial transactions; these banks are also authorized to deal in gold coin and bullion at home and abroad. It is easy to see what power the Federal Reserve Board, through the Federal reserve banks, will thereby have, in connection with its power over discount rates, over the movement of the precious metals into and from the United States.

These great powers can and will be exercised in such a manner as to encourage and assist in every way the growth of the volume of trade between the United States and foreign countries.

I think it will be realized, as I have before stated, that, growing out of this new banking act, the time has come for a marvelous development in our foreign trade, especially with South America, and that an opportunity is given to finance that trade such as has never been possible before. [Applause.]

The resources of the Federal reserve system will also be greatly augmented in the future by the addition of large resources contributed by State banks and trust companies, which the act permits to join the Federal reserve system under reasonable regulations. I venture to express the hope that within the near future the majority of the strong State banks and trust companies doing a commercial business will join this system.

The Federal reserve act economizes the use of capital; it makes its use more effective than under the old system; by lowering the prescribed reserve requirements it has released hundreds of millions of capital which will provide additional credit; by its rediscount provisions and by the powers given to the Federal Reserve Board to suspend reserve requirements in cases of necessity it has practically made a financial panic of the type we went through in 1907 an impossibility.

The banks have been greatly strengthened by these reforms and have enlarged their power to grant discounts to their customers both in domestic and international trade.

I believe the result will be of lasting advantage and benefit, not only to the people of the United States but to the people of all nations which engage in trade with us.

I have tried briefly to outline just what the Federal reserve act has done for us, and to show how, incidentally, it may be of great advantage to all nations that trade with us. There remains only to consider the practical application of the principles of the act to the great problems of commerce, transportation, and finance which you are called together to consider, and these problems will be considered by you in conjunction with our own delegates, who are, it is needless to add, chosen men, representing the highest ability in practical banking, and who represent as well the highest type of our citizenship.

I am sure that it will be the earnest prayer of all the people of our country, and of the great nations whose delegates are here assembled, that our deliberations shall be crowned with successful achievement. [Prolonged applause.]

