

to render, by which to make sure of an abundant supply of the materials needed, by which to check undertakings that could for the time be dispensed with and stimulate those that were most serviceable in war, by which to gain for the purchasing departments of the government a certain control over the prices of essential articles and materials, by which to restrain trade with alien enemies, make the most of the available shipping and systematize financial transactions, both public and private, so that there would be no unnecessary conflict or confusion — by which, in short, to put every material energy of the country in harness to draw the common load and make of us one team in the accomplishment of a great task. But the moment we knew the armistice to have been signed, we took the harness off. Raw materials upon which the government had kept its hand for fear there should not be enough for the industries that supplied the armies, have been released and put into the general market again. Great industrial plants whose whole output and machinery had been taken over for the uses of the government have been set free to return to the uses to which they were put before the war. It has not been possible to remove so readily or so quickly the control of foodstuffs and of shipping, because the world has still to be fed from our granaries and the ships are still needed to send supplies to our men overseas and to bring the men back as fast as the disturbed conditions on the other side of the water permit; but even the restraints are being relaxed as much as possible and more and more as the weeks go by.

Never before have been agencies in existence in this country which know so much of the field of supplies, of labor and of industry as the war industries board, the war trade board, the labor department, the food administration and the fuel administration have known since their labors became thoroughly systematized; and they have not been isolated agencies; they have been directed by men which represented the permanent departments of the government and so have been the centers of unified and co-operative action.

It has been the policy of the executive, therefore, since the armistice was assured (which is in effect a complete submission of the enemy) to put the knowledge of those bodies at the disposal of the business men of the country and to offer their intelligent mediation at every point and in every matter where it was desired. It is surprising how fast the process of return to a peace footing has moved in the three weeks since the fighting stopped. It promises to outrun any inquiry that may be instituted and that may be offered. It will not be easy to direct it any better than it will direct itself. The American business man is of quick initiative.

The ordinary and normal processes of private initiative will not, however, provide immediate employment for all of the men of our returning armies. Those who are of trained capacity, those who are skilled workmen, those who are ready and willing to go to the farm, all those whose aptitudes are known or will be sought out by employers will find no difficulty, it is safe to say, in finding place and employment. But there will be others who will be at a loss where to gain a livelihood, unless pains are taken to guide them and put them in the way of work. There will be a large floating residuum of labor which should not be left wholly to shift for itself. It seems to me important, therefore, that the development of public works of every sort should be promptly resumed, in order that opportunities should be created for unskilled labor in particular, and that plans should be made for such developments of our unused lands and our natural resources as we have hitherto lacked stimulations to undertake.

#### RECLAMATION PROGRAM PLANNED

I particularly direct your attention to the very practical plans which the secretary of the interior has developed in his annual report and before your committee for the reclamation of arid, swamp and cut-over lands which might, if the states were willing and able to co-operate, redeem some 300,000,000 acres of land for cultivation. There are said to be fifteen or twenty million acres of land in the west, at present arid, for whose reclamation water is available, if properly conserved. There are about two hundred and thirty million acres from which the forests have been cut but which have never yet been cleared for the plow and which lie waste and desolate. These lie scattered all over the union. And there are nearly eighty million acres

of land that lie under swamps or subject to periodical overflow or too wet for anything but grazing, which it is perfectly feasible to drain and protect and redeem. The congress can at once direct thousands of the returning soldiers to the reclamation of arid lands which it has already taken, if it will but enlarge their plans and appropriations which it has entrusted to the department of the interior. It is possible in dealing with our unused land to effect a great rural and agricultural development which will afford the best sort of opportunity to men who want to help themselves; and the secretary of the interior has thought the possible methods out in a way which is worthy of your most friendly attention.

#### CONTROL OVER SHIPPING

I have spoken of the control which must yet for awhile, perhaps for a long while, be exercised over shipping because of the priority of service to which our forces overseas are entitled, and which should also be accorded the shipments which are to save recently liberated peoples from starvation and many devastated regions from permanent ruin. May I not say a special word about the needs of Belgium and northern France? No sums of money paid by way of indemnity will serve of themselves to save them from hopeless disadvantage and for years to come. Something more must be done than merely find the money. If they had money and the raw materials in abundance tomorrow they could not resume their place in the industry of the world tomorrow — the very important place they held before the flame of war swept across them. Many of their factories are razed to the very ground. Much of their machinery is destroyed or has been taken away. The people are scattered and many of their best workmen are dead. Their markets will be taken by others, if they are not in some special way assisted to rebuild their factories and replace their lost instruments of manufacture. They should not be left to the vicissitudes of the sharp competition for materials and for industrial facilities which is now set in. I hope, therefore, that the congress will not be unwilling, if it should become necessary to grant to some agency as the war trade board the right to establish priorities of export and supply for the benefit of these people whom we have been so happy to assist in saving from the German terror and whom we must not now thoughtlessly leave to shift for themselves in a pitiless competitive market.

#### DETERMINATION OF TAXES

For the staiding and facilitation of our own domestic business readjustments nothing is more important than the immediate determination of the taxes that are to be levied for 1918, 1919 and 1920. As much of the burden of the taxation must be lifted from business as sound methods of financing the government will permit and those who conduct the greatest industries of the country must be told as exactly as possible what obligations to the government they will be expected to meet in the years immediately ahead of them. It will be of serious consequences to the country to delay removing all uncertainties in this matter a single day longer than the right processes of debate justify. It is idle to talk of successful and confident business reconstruction before those uncertainties are resolved.

If the war had continued it would have been necessary to raise at least eight billion dollars by taxation payable in the year 1919; but the war has ended and I agree with the secretary of the treasury that it will be safe to reduce the amount to six billions. An immediate rapid decline in the expenses of the government is not to be looked for. Contracts made for war supplies will, indeed, be rapidly cancelled and liquidated, but their immediate liquidation will make heavy drains on the treasury for the months just ahead of us. The maintenance of our forces on the other side of the sea is still necessary. A considerable proportion of those forces must remain in Europe during the period of occupation and those which are brought home will be transported and demobilized at heavy expense for months to come. The interest on our war debt must of course be paid and provision made for the retirement of the obligations of the government which represent it. But these demands will of course fall much below what a continuation of the military operations would have entailed and six billions should suffice to supply a sound foundation for the financial operations of the year.

I entirely concur with the secretary of the

treasury in recommending that the two billion needed in addition to the four billions provided by existing law be obtained from the profits which have accrued and shall accrue from war contracts and distinctly war business, but that these taxes be confined to the war profits accruing in 1918, or in 1919 from business originating in war contracts.

I urge your acceptance of this recommendation that provision be made now, not subsequently, that the taxes to be paid in 1920 should be reduced from six to four billions. Any arrangements less definite than these would add elements of doubt and confusion to the critical period of industrial readjustment through which the country must now immediately pass, and which no true friend of the nation's essential business interest can afford to be responsible for creating or prolonging. Clearly determined conditions, clearly and simply charted, are indispensable to the economic revival and rapid industrial development which may confidently be expected if we act now and sweep all interrogatory points away.

#### CARRY OUT NAVAL PROGRAM

I take it for granted that the congress will carry out the naval program which was submitted before we entered the war. The secretary of the navy has submitted to your committee for authorization that part of the program which covers the building plans of the next three years. These plans have been prepared along the lines and in accordance with the policy which the congress established not under the exceptional conditions of the war, but with the intention of adhering to a definite method of development for the navy. I earnestly recommend the uninterrupted pursuit of that policy. It would clearly be unwise for us to attempt to adjust our program to a future world policy as yet undetermined.

#### QUESTION OF THE RAILROADS

The question which causes me the greatest concern is the question of the policy to be adopted towards the railroads. I frankly turn to you for counsel upon it, I have no confident judgment of my own. I do not see how any thoughtful man can have who knows anything of the complexity of the problem. It is a problem which must be studied, studied immediately, and studied without bias or prejudice. Nothing can be gained by becoming partisans of any particular plan of settlement.

It was necessary that the administration of the railways should be taken over by the government so long as the war lasted. It would have been impossible otherwise to establish and carry through under a single direction the necessary priorities of shipment. It would have been impossible otherwise to combine maximum production at the factories and mines and farms with the maximum possible car supply to take the products to the ports and markets; impossible to route troop shipments and freight shipments without regard to the advantage or disadvantage of the roads employed; impossible to subordinate, when necessary all questions of conveniences to the public necessity; impossible to give the necessary financial support to the roads from the public treasury. But all these necessities have not been served, and the question is what is best for the railroads and for the public in the future.

Exceptional circumstances and exceptional methods of administration were not needed to convince us that the railroads were not equal to the immense tasks of transportation imposed upon them by the rapid and continuous development of the industries of the country. We knew that already. And we knew that they were unequal to it partly because their full co-operation was rendered impossible by law and their competition made obligatory, so that it has been impossible to assign to them severally the traffic which could best be carried by their respective lines in the interest of expedition and national economy.

#### PEACE IN THE SPRINGTIME

We may hope, I believe, for the formal conclusion of the war by treaty by the time spring has come. The twenty-one months to which the present control of the railways is limited after formal proclamation of the peace shall have been made will run at the farthest, I take it for granted, only to January of 1921. The full equipment of the railways which the federal administration planned could not be completed within any such period. The present law does not permit the use of the revenues of the several