

SECRETARY TAFT OPENS CAMPAIGN

Secretary Taft delivered what his friends called the opening speech of his campaign at Boston on the evening of December 30. Because of the prominence of Mr. Taft in the contest for the republican nomination, The Commoner prints in full the Associated Press report of the Taft meeting. That report follows:

Greeted with cheers as "the next president of the United States," a topic which he carefully avoided in his own remarks, however, Secretary of War William H. Taft delivered his first public speech since his world circling tour tonight at the annual banquet of the Boston Merchants' association at the Hotel Somerset. The banquet closed a long and strenuous day for the secretary of war, during which he delivered a brief address before four hundred ministers in the morning and attended a reception and spoke before a large gathering of Jews of the city at the Elysium club in the afternoon. During his visit to Boston, which ends tomorrow afternoon Secretary Taft is the guest of Samuel Carr, a Boston banker and relative of Mrs. Taft.

A more notable gathering of prominent and representative business men has seldom been seen in Boston than that which greeted the secretary tonight.

In the banquet hall beautiful decorations adorned the tables, which provided for the seating of over five hundred guests, while behind the speaker's table were a great many American flags. President Jerome Jones, of the Boston Merchants' association, presided. Seated on either side of him were the speakers and guests of honor, who included Secretary of War William H. Taft, Congressman Shereley of Kentucky, Lieutenant Governor Eben S. Draper of Massachusetts, Mayor John F. Fitzgerald and Rt. Rev. William Lawrence, bishop of Massachusetts.

In introducing Secretary Taft, President Jones said:

"We are favored this evening by the presence of a man from the middle west who has impressed us all with his fitness for the most important position that the great and powerful nation can bestow, and, in brief, an official of great strength and wisdom. He has recently put a girdle around the earth as an ambassador of peace and good will, visiting the great rulers of mighty nations, and we want to hear him talk to us."

As the secretary arose to reply all the guests stood up with him and filled the air with long continued cheers.

Calls for "three cheers for Secretary Taft, the next president of the United States," were heartily-acclaimed.

THE SECRETARY'S SPEECH

Secretary Taft then delivered the following speech, which he read from manuscript throughout, making no additions or comment relative to his own candidacy for the presidency or other topic:

"Gentlemen of the Merchants' and Manufacturers' Association of Boston: I am glad to be here. For more than two years I have been trying to accept your kind invitation. I do not feel strange in this New England company. My father was born in Vermont, my mother was born in Boston; my two grandfathers were born in Mendon, Worcester county; much of my boyhood was spent in Millbury and I was educated at Yale. While I can not claim to be one of you, I like to boast that I have enjoyed the good influence and the same traditions.

"I had expected to talk to you about the Philippines tonight. That was one of the reasons why I accepted the invitation so lightly, it is a subject easy for me to talk about. It may be it is getting a little stale. For instance, I have found that one of the best methods of discouraging my friends, the correspondents of the press, in Washington from pursuing embarrassing inquiries into other matters is to insist on discussing with them for publication interesting phases of the Philippine situation. They leave forthwith. But I had supposed that however dead the islands may be as a topic inviting discussion and attracting attention elsewhere, one could rouse some sentiment over it in Boston. I have been warned, however, that here, too, there were subjects more absorbing, at least for business men. So, when I was honored by an invitation for this morning to address the ministers of Boston, whose profession carries them naturally in a consideration of other worlds, I said my say in respect to the Philippines, and the, to me, very absorbing national problem

which I hope and believe we are working out successfully. It follows that for this company, I must find another subject.

THE MONETARY PANIC

"During the last three months the country has suffered from a severe monetary panic. Even yet, the clearing house certificates linger in your bank exchanges as emphatic evidence of its severity and of the extreme measures which had to be taken to avoid greater disaster. Doubtless many of my hearers have not yet recovered from the intense nervous strain and mental suffering to which they have been subjected since the middle of October. The panic has been given a certain political bearing and importance. For this reason, I have selected for my topic of tonight 'The Panic of 1907, Its Causes, Its Probable Effects and the Relation to It of the Policies of the National Administration.'

"What did cause the panic? Writers on financial subjects who have given their lives and constant attention to matters of this kind, who are able to constitute a comparison of the present panic with previous panics, and who are entirely familiar with the conditions preceding all of them substantially agree upon the cause. Panics and industrial depressions are the result of the characteristics of human nature, which manifest themselves in business and elsewhere. The world generally has a certain amount of loanable capital available for new enterprises or the enlargement of old ones. In periods of prosperity, this capital with the instrumentalities for enlarging it potentially by credits is put into new enterprises, which are profitable and the increase in free capital goes on almost in arithmetical progression. After a time, however, expenses of operation and wages increase and the profit from the new enterprise grows smaller. The loanable capital gradually changes its form into investments less and less convertible. Much of that which might be capital is wasted in unwise enterprises, in extravagant living, in wars and absolute destruction of property, until the available free capital becomes well nigh exhausted the world over and the progress of new enterprises must await the savings of more. Men continue to embark in new enterprises, however, the capital fails them and disaster comes.

SOME WASTE OF CAPITAL

For eight or nine months last past, there were many indications that the loanable capital of the world was near exhaustion. This result was brought about not only by the enormous expansion of business plants and business investments which could be readily converted, but also by the waste of capital in extravagance of living and by the Spanish war, the Boer war and the Russian-Japanese war and in such catastrophes as Baltimore and San Francisco. It became impossible for the soundest railroads and other enterprises to borrow money for new construction or reconstruction.

"The condition was not confined to this country, but extended the world over, and was made manifest in the countries of Europe even before it was felt here. Secondly, the conclusion can not be avoided that the revelations of irregularity, breaches of trust, stock jobbing, over issues of stock, violations of law and lack of rigid state or national supervision in the management of some of our largest insurance companies, railroad companies, traction companies and financial corporations, shocked investors and made them withhold what little loanable capital remained available. Such disclosures had much more effect, probably, abroad, than they had here, because here we are able to make distinctions while there at a remote distance, the revelations created distrust in our whole business fabric.

"When therefore two or three institutions, banks and trust companies, supposed to be solid, found their capital impaired by stock jobbing of their officers, the public was easily frightened and the run upon banks began. The question then became not one of loanable capital, but of actual money to be used in the transactions of the day, a very different question, though, of course, closely related.

SYSTEM OF CURRENCY FAULTY

"It would seem that our system of currency is not arranged so as to permit its volume to be increased temporarily to counteract the sudden drain of money by the hoarding in a panic.

It is probable that the stringency which reached its height on that dark day of October 24 might, in part, have been alleviated, had we had a currency which could automatically enlarge itself to meet the tremendous demand of a day or a week or a month while public confidence was being restored. The national administration, together with many of the large capitalists of New York and elsewhere, put their shoulders under the load and by various devices of an unusual character have brought about the present condition of gradually increasing confidence.

"The injurious consequences to follow from this panic are not likely to be so long drawn out or to result in such disastrous industrial depression as the panic of 1893 or the panic of 1873, and this for the reason that the condition of the country makes it so much easier to resume business gradually to accumulate capital and then to renew the enterprises which had to be abandoned for lack of it.

In the first place we have a solid currency, with no suggestion of a departure from the gold standard. In 1893 the pressure for free silver was on, and the threat of national repudiation had much to do with the delay in the return to the prosperous times. Our government finances now are in excellent condition and have a large surplus. Our farming communities in the west today are not under the weight of mortgages and of debt which distressed them in 1893 and in 1873. They are prosperous and wealthy.

"Again the railroads, which make up a large part of the wealth of this country are on a much solid foundation than they were in 1893. Then many of them had to be taken into hands of receivers and immense amounts expended by means of receivers' certificates displacing and destroying the value of vested securities in order to put roads in a safe and income-earning condition. The railroads today are in a better physical condition than they have ever been in their history. But few of them have recently been built into new territory, in which business has to be created by introducing a new population.

BALANCE OF TRADE WITH US

"Again, the balance of trade is with us. We were about to settle for the hundred millions of gold that we withdrew from Europe in order to meet the demand for money in the markets in New York, by the excess of our exports over our imports in the single month of October. All these things point to the probability of a restoration of confidence and after a proper liquidation and an industrial depression of some months, to a resumption of business on a normal basis.

"Modern business is conducted on a system of credit, which in normal times increases the facility with which the work of manufacture, production and sale can be carried on a thousandfold beyond the limit of earlier days and enables a total of many billions to rest on a very small percentage of actual money passed. Every manufacturer, every merchant, is under modern conditions, dependent on the successful conduct of his business upon bank credits extended at regular seasons. These banks themselves in turn acquire the means of granting these credits largely from the money of their depositors. And in loaning their deposits, the banks rely upon the improbability that more than a certain part of the deposits will be called for at any one time. A lack of public confidence in the banks created a common desire among depositors to withdraw their money. The fright which seizes the creditor—the depositor—and leads him to hoard his money, spreads like wildfire and is as unreasoning and unreasonable as the spirit of a mob. A run on the bank ensues. The banks then call on their debtors and the tremendous structure depending on credit tumbles. Meantime men who properly count themselves as millionaires, who are honest, conservative, solid business men, always responding to their obligations, find themselves as helpless under such a financial cataclysm as they would be in an earthquake.

ALWAYS LEAVES ITS MARK

"Gradually reason resumes its sway but the injury to credit and the blow which has been struck at the normal business progress has more or less permanence. Values have shrunk, plans for new and increased business enterprises must be abandoned and liquidation and house-cleaning takes place. The business men who have had to stand the strain—who have seen

(Continued on Page 12)