

President Wilson's First Message to Congress

To the Senate and House of Representatives:

I have called the congress together in extraordinary session because a duty was laid upon the party now in power at the recent elections which it ought to perform promptly, in order that the burden carried by the people under existing law may be lightened as soon as possible and in order, also, that the business interests of the country may not be kept too long in suspense as to what the fiscal changes are to be to which they will be required to adjust themselves. It is clear to the whole country that the tariff duties must be altered. They must be changed to meet the radical alteration in the conditions of our economic life which the country has witnessed within the last generation. While the whole face and method of our industrial and commercial life were being changed beyond recognition the tariff schedules have remained what they were before the change began, or have moved in the direction they were given when no large circumstance of our industrial development was what it is today. Our task is to square them with the actual facts. The sooner that is done the sooner we shall escape from suffering from the facts and the sooner our men of business will be free to thrive by the law of nature (the nature of free business) instead of by the law of legislation and artificial arrangement.

We have seen tariff legislation wander very far afield in our day—very far indeed from the field in which our prosperity might have had a normal growth and stimulation. No one who looks the facts squarely in the face or knows anything that lies beneath the surface of action can fail to perceive the principles upon which recent tariff legislation has been based. We long ago passed beyond the modest notion of "protecting" the industries of the country and moved boldly forward to the idea that they were entitled to the direct patronage of the government. For a long time—a time so long that the men now active in public policy hardly

remember the conditions that preceded it—we have sought in our tariff schedules to give each group of manufacturers or producers what they themselves thought that they needed in order to maintain a practically exclusive market as against the rest of the world. Consciously or unconsciously, we have built up a set of privileges and exemptions from competition behind which it was easy by any, even the crudest, forms of combination to organize monopoly; until at last nothing is normal, nothing is obliged to stand the tests of efficiency and economy, in our world of big business, but everything thrives by concerted arrangement. Only new principles of action will save us from a final hard crystallization of monopoly and a complete loss of the influences that quicken enterprise and keep independent energy alive.

It is plain what those principles must be. We must abolish everything that bears even the semblance of privilege or of any kind of artificial advantage, and put our business men and producers under the stimulation of a constant necessity to be efficient, economical, and enterprising, masters of competitive supremacy, better workers and merchants than any in the world. Aside from the duties laid upon articles which we do not, and probably can not, produce, therefore, and the duties laid upon luxuries and merely for the sake of the revenues they yield, the object of the tariff duties henceforth laid must be effective competition, the whetting of American wits by contest with the wits of the rest of the world.

It would be unwise to move toward this end headlong, with reckless haste, or with strokes that cut at the very roots of what has grown up amongst us by long process and at our own invitation. It does not alter a thing to upset it and break it and deprive it of a chance to change. It destroys it. We must make changes in our fiscal laws, in our fiscal system, whose object is development, a more free and wholesome development, not revolution or upset or

confusion. We must build up trade, especially foreign trade. We need the outlet and the enlarged field of energy more than we ever did before. We must build up industry as well, and must adopt freedom in the place of artificial stimulation only so far as it will build, not pull down. In dealing with the tariff the method by which this may be done will be a matter of judgment, exercised item by item. To some not accustomed to the excitements and responsibilities of greater freedom our methods may in some respects and at some points seem heroic, but remedies may be heroic and yet be remedies. It is our business to make sure that they are genuine remedies. Our object is clear. If our motive is above just challenge and only an occasional error of judgment is chargeable against us, we shall be fortunate.

We are called upon to render the country a great service in more matters than one. Our responsibility should be met and our methods should be thorough, as thorough as moderate and well considered, based upon the facts as they are, and not worked out as if we were beginners. We are to deal with the facts of our own day, with the facts of no other, and to make laws which square with those facts. It is best, indeed it is necessary, to begin with the tariff. I will urge nothing upon you now at the opening of your session which can obscure that first object or divert our energies from that clearly defined duty. At a later time I may take the liberty of calling your attention to reforms which should press close upon the heels of the tariff changes, if not accompany them, of which the chief is the reform of our banking and currency laws; but just now I refrain. For the present, I put these matters on one side and think only of this one thing—of the changes in our fiscal system which may best serve to open once more the free channels of prosperity to a great people whom we would serve to the utmost and throughout both rank and file. White House, April 8. WOODROW WILSON.

Amsterdam's Municipal Ownership of Pawnshops

By Dirk P. De Young, Amsterdam, Netherlands. In these days of political regeneration and reform, the idea of government regulation of pawnshops emerges on the rostrum. Several states and cities, vexed by the perplexing problem of loan-thieves, have made various unsuccessful attempts to legislate against them, without much effect. And, while there are doubtless many statutes on the books aimed at usury in its various iniquitous forms, it is unlikely that there are any governmental agencies in operation in the United States which ameliorate the conditions of loan-sharks victims. If there were, the day of illicit money-lenders would probably end soon.

In general, there is no place for a poor working man in our country to go for financial assistance except to the loan-shark or pawn-broker. If the poor man takes a watch worth \$2.00 to the pawnshop as security for a loan, he pays 50 cents on the \$2.00 he borrows for 30 days, or at the rate of 300 per cent per annum. It is by exploiting this class of people that the Shylocks flourish. Why do we detect the splinters in the eye of our social system and not the beam? It would be better to remove the cause than to doctor the effect. A little studious application of old-world methods to our new-world problems might emit some light.

A pawn-shop owned by the city of Amsterdam has come very near to the root of the loan-shark evil. It has made the pawn-shop the poor man's friend in need and has put the usurious rascals to flight. Why should American cities not give this matter serious consideration?

It is hardly conceivable that municipal ownership should go so far as to include pawnshops. It has been done in Amsterdam, however, with a considerable success. They were taken over perhaps more from necessity than for any contemplated gains which might accrue therefrom to the city's exchequer. As those institutions are generally unruly wherever found, and as they are better detective agencies when operated by government officials, it was perhaps thought wiser to have them under government supervision regardless of any loss or gain therefrom.

The pawnshop of Amsterdam, called the Bank van Leening, is one of the oldest institutions in

the city, dating back to the fifteenth century. Up to the year 1616 the business was let by the city to a private company, but as that company refused to reduce the rate of interest on pawned articles on the late stated, the city annulled the contract, took over the business itself, and has operated it ever since.

To the year 1863 the business was conducted through the intermediary of male and female brokers, but so many complaints were made against those persons that they were dismissed in that year, from which time all loans have been made on direct applications in person at the pawnshop.

The first pawnshop in this city was established where the main office of the municipal branches is now located. The same building is also still used. There was originally but one office, now, however, fifteen branches are distributed over different parts of the city which provide a branch for almost every district in the municipality.

The institution is well patronized, but, of course, by the less opulent inhabitants. In 1908 advances were made on a motley collection of articles valued at \$1,947,616. Each article pawned cost the establishment about \$0.06 for administration, and it is estimated that \$25,000 per annum is actually lost on a large number of articles pawned which do not pay more than \$0.04 interest.

It is the custom among certain classes of the Dutch working people to pawn their best clothes on Monday morning, redeem them on the Saturday night following, and repawn them on the following Monday, thus allowing them the use thereof on Sunday. By Monday morning they have spent all their money and have to pawn their clothes to raise expenses for the week. Saturday night when they receive their wages they are again able to redeem them. It is a noteworthy fact that more than 40 per cent of the business of the pawnshop consists of this sort of pledges.

The Bank van Leening (municipal pawnshop) has a manager and five directors, who are appointed by the city council, three of whom must be members of the last named body. A secretary is appointed by the burgomaster. At the end of each calendar year the directors submit

a balance sheet of the institution's business, together with their recommendation for the ensuing year. The manager has the power to decide all ordinary questions of loans, but in some few instances he must obtain the sanction of the city council, which generally follows the recommendation of the manager. The number of officials and clerks to be employed in the institution, together with the salaries they are to receive, are determined by the city council, as well. The fathers may also remove the manager, but the directors may suspend him pending their final action.

The revenues of the Bank van Leening are derived from interest on pledges; administration charges, brokerage charges on the sale of unredeemed pledges; and rents of such space in pawnshop buildings as is not required for the institution itself.

The expense of operating the municipal pawnshop, together with provision for pensioning old age employes of the institution or as much as their regular contribution deducted from their salary for this pension fund is deficient, are paid from these receipts. Were there any shortage in the whole income it would of course be levied in the usual course of taxation.

Under the rules of the pawnshop, loans will not be made on ornaments or other articles belonging to a religious or charitable institution; munitions of war; or for other articles damaged by moth; wet laundry; articles suspected to have been stolen; which are immediately attachable by the official pawn-brokers in any of the shops; or any other similar things. The pawn-brokers being ex-officio policemen and detectives, is the most commendable feature of the system, as stolen articles are usually pawned.

All goods offered as pledges are appraised by officials. The minimum amount advanced on any article is 16 cents and the maximum \$200. The interest paid on loans guaranteed by these pledges are for old clothing or bedding, 6 per cent per annum; other articles not exceeding \$20 in value, 13 per cent per annum; on sums in excess of \$20 up to the maximum, 13 per cent on the first \$20 and 6 per cent on the rest.

The interest is calculated in terms of fifteen days and a minimum of one term of interest must be paid on every article pledged. In addition to this, they must pay the regular administration charge on every article, which is from 4 mills to 10 cents each. The rate of interest