The Nation's Business

(A Series of Articles by National Leaders Published Exclusively in This Territory in The Herald.)

"BUSINESS IN GOVERNMENT" by Governor Davis of Ohio.

Do politics and business mix?

The business of politics is the business of government in its final analysis. Is your government—and that means your business, for you are a partner in the American government in fact as well as in theory, to be conducted on lines other than good business lines? If it be so—why? Good business means the successful conducting of a commercial pursuit in a creative sort, a productive sort or constructive sort. Surely government, municipal, state, or federal must be creative, constructive, productive and commercially sound if that government is to succeed.

In the face of this obvious reasoning there are thousands of citizens in the United States today who declare the fallacy, "business and politics do not mix" the foundation of their own lack of interest, lack of active citizenship—exercising the right of suffrage—and lack of belief in the very institutions that make of them citizens.

The attempt to put business and politics, in their relationship toward one another, in somewhat the same relationship as oil and water, is both unfortunate and unwarranted.

If the theory behind it was that the business man cannot and should not actively interest himself in political affairs, it was wrong in premise and principle, for as the citizens' participation increases in political life, there results better politics and better government.

For, in the last analysis, politics of course is but the science of government.

Then again, if the supposed unmixable status of business and politics related to practical application to the affairs of government, of the methods that are fundamental to modern business practice, the declaration was even more inapt and untrue.

Politics and business do mix—and of all times, the need for a generous admixture of business into our affairs of government has probably never been more striking and urgent than now—struggling as we are under the drastic reaction of the war and the unparalleled financial burden with which it left us.

Business Makes Ready.

Business many months ago sensed the beginning of the reaction from the artificial war time boom, and quietly, unostentatiously prepared itself to meet the depression it saw coming, and to begin adjustment to the changing conditions. Retrenchment became the watchword. Economy measures were put in operation. A higher degree of efficiency was injected into business operation. The immediate result has been that business has curtailed its expenses practically to the pre-war basis, and is gearing up its productive efficiency per dollar of operating cost to a point far beyond the record of the last few years.

Business thus made itself ready to cope with the new order of things following in the wake of the world conflict.

But the problem of today is far more complex than can be met by private itiative alone. It is too closely connected with governmental operation not to require governmental action to help in its solution In great measure it is a financial problem.

Cost of government during recent years increased apace with the cost of all else. And today, with changed conditions, it is primarily essential for the general wefare that the cost of government be brought back down to a basis in keeping with retrenchments found necessary in private undertakings. Governmental service must continue undiminished, but it must be performed at a cost far below that of late years.

The problem was a two-fold aspect, first from the standpoint of future operating cost of government, and second, with respect to discharge of the financial war obligations.

On the manner with which this dual problem is handled largely depends our entire economic future.

Government Cost Up.

The ordinary operation of the government of the United States cost about nine times as much last year, as it did in 1916. And beyond that was the cost which could not be met by taxation and had to be taken care of by borrowing—the special war cost by which the national debt was boosted to about twenty times the size it was five years ago.

The country today is required to pay practically as much in annual interest charges on the public debt as the amount of the debt itself back in 1916, and that without even beginning to provide for reduction of the debt.

Add to all this the vastly increased cost of operating state and municipal governments and a conception is gained of the tremendous burden the taxpayer has to bear today. It is the greatest burden he has ever been compelled to carry.

In 1916, the per capita cost of the United States government was about $7.18 In 1920, it cost virtually $64 for every man, woman and child in the United States to operate the federal government, and during the fiscal year of 1921, about $51.

Debts Fall Due.

And that has not included adequate provision for the retirement of so much of the public debt as is of short maturity. Secretary of the Treasury A. W. Melon has pointed out that within the next two years, about seven and one-half billions of short-dated debt or about $75 for every person in the country, will fall due. Also that only about one billion dollars will be available for such retirement at that time and that other arrangements to carry the balance will have to be made.

What reductlon has already been made in the short-dated debt which originally was over nine billions, has been made possible in large part by reduction of the general fund and by receipts from war salvage, but only in a very limited measure by tax receipts.

Altogether, the county's gross debt amounts today to approximately twenty-four billions. The greater part of it matures within seventeen years, and the balance falls due in the nine succeeding years.

When it is considered that the taxpayer today, as pointed out, is already required to pay in annual interest charges alone practically as much as was the entire public debt of five years ago, and that governmental operation has been costing about nine times as much as before the war, it is not difficult to realize the onerous burden upon the taxpayer to retire the war debt. In other words, he would have to provide an average of a bllion dollars a year additional in taxes over and above the financing of the ordinary governmental operations.

And all this besides the payment of the state and municipal taxes.

It is not to be doubted that the prospect of all this have been having and still has a decidedly discouraging effect upon the process of readjustment and the restoration of normal prosperity—the outstanding problem of today.

Government to Retrench

For its proper solution, it is essential that there be emulation by all governmental agencies, whether national, state or municipal, of the example set by private business in cutting down to a minimum, the recent high expenses, and in displacing the cost so cut off with a boost in efficiency. Better results in the administration of public work will go far in meeting the situation. It will ease somewhat the staggering burden on the public, but it will still be faced by the twenty-four billion dollar public debt to be wiped out practically within the next twenty years.

It being virtually certain that the national government will not be able to retire the seven and one-half billions of short time debt when it falls due in the next two years—except only in small part—it follows that it will have to be refunded. The same condition is certain to repeat itself as the Liberty bonds of the later maturities fall due.

I believe the plan to have the people pay so gigantic a sum as twenty-four billion dollars in so comparatively a short period—besides paying for the ordinary governmental expenditures—is too severe a burden for one generation to carry alone.

It is an economic prospect that would hardly tend to exercise a strongly stimulating influence upon initiative, enterprise and progress in the nation's business activities.

Both from the standpoint of business like, constructive financial policy, and in the interest of impressing the lesson of patriotic responsibility upon our children, a share of this war debt should, I believe, be carried by the succeeding generation. The war was fought that they might not be deprived of the benefit of our free institutions. Should they not bear a part of the burden, not only that our economic life may the sooner return to normal and to divide what would otherwise be a task virtually impossible of performance—but also so that there may be perpetuated in them a closer relation to and understanding of the principles and ideals for which we unsheathed the sword.

Extend Liberty Bonds

From every standpoint, the refunding of our Liberty loans into a new consolidated issue in which the range of maturity is extended from twenty-five, say to fifty years, would be a sound, businesslike, forwardlooking procedure. It would immediately reduce by half the obligations which we must meet in the next score of years or so and allow us to get economically solid ground once more under our feet.

There would be another immediate benefit from such a course—one that experience with long term securities would indicate—and that is increase of the market price of Liberty bonds. Investors pay more for a bond of long maturity, than for one that will be redeemed in a shorter period. This is an accepted fact with financiers. Application of this principle to Liberty bonds would be certain to result in a greater demand for them and in their increased value in the market.

With requirements for ordinary current expenses reduced by governmental agencies of every kind, by radical retrenchment, and the distribution of the payment of our public debt over a longer period, we would be safely on our way once more to a period of enduring, natural prosperity.

The Railroad Column

(By W. S. CARTER, President Brotherhood of Locomotive Firemen and Enginemen.)

How Wage Statistics are Juggled

The American people, within the recent past, have been overwhelmed with railroad propaganda, (1) for the purpose of reducing the wages of railroad employes, and transferring to the treasuries of the railroad corporations the benefits of same, and (2) to convince the people that freight and passenger rates cannot be reduced, without throwing the railroads into the hands of receivers.

A marked feature of this propaganda has been false statements as to the "average earnings of railroad employes," which have gained great publicity, at enormous expense to the railroads, and have placed railroad employes at a serious disadvantage in the public's mind. At hearings of the senate committee of interstate commerce, conducted under the provisions of senate resolution 23, such exaggerated "evidence" was presented regarding the compensation of railroad employes that Dr. Frank J. Warne, a leading economist of Washington, D. C., was employed by the transportation employes to analyze these statements of the railroads and make report of such analysis to the senate committee. On November 26 Mr. Warne appeared before the senate committee and testified at length concerning the same.

He reviewed the experience of the four brotherhoods with alleged wage statistics presented by the railroads before federal boards of arbitration in wage controversies since 1910, and stated as a conclusion that these railway employes had proven these statistics to be incorrect and misleading and not representative of actual facts. He claimed that this was also true of wage statistics presented before the interstate commerce committee, in its present hearings by railway witnesses, and then proceeded to point out in detail what he charged to be their inaccuracies.

One of these "statistical fallacies" he claimed to be the inclusion in wage statistics presented by railway witnesses of salaries paid general and division officers. In 1920 these numbered approximately 22,000 and their total annual salaries exceeded $92,000,000, not including the railway officials temporarily identified with and paid by the United States railroad adminis tration during the period of federal control. He claimed that these salaries had increased since 1916 in an amount exceeding $39,000,000, while the total number of general and division officers had increased in these five years less than 5,000. The average increase in the annual salary of each of these officers in this time was as much as $8,000.

Mr. Warne claimed that this very increase in salaries of officials had been included as a part of the total wage increase to employes in statistics presented before the committee by witnesses for the railroads. The effect, he said, was to show an increase in annual wages paid to the extent of $39,000,000 greater than had actually taken place.

"It is quite clear that in the present form which the railway problem has assumed the salaries of these officials are properly not a part of the problem and in fairness the amount of their compensation and its increases should be eliminated from statistics purporting to show distinct wage increases. Such has not been the case in the railroads' propaganda to secure wage reductions, but on the contrary the total amounts paid these officials and their increases have been included in the publicity statistics presented before this committee by the executives of the roads. None of the awards of the United States railroad labor board affect the salaries of these officers, they are not subject to the jurisdiction of the board; they can be and have been increased at any time by a mere dictum of the board of directors; they can even be greatly increased by having large sums voted to them as special gifts. In no economic sense are these high salaries a part of the railway labor problem."

Secret Bonuses to Officials

He quoted from a report of the interstate commerce commission showing in the case of the Chicago, Rock Island & Pacific that Vice-President J. E. Gorman had been secretly paid an additional $18,750, making his total annual salary $43,750, whereas the road's pay-roll showed only $25,000; that Chief Engineer C. A. Morse received a secret bonus of $3,000 the first of each year in addition to his annual salary of $15,000; that General Solicitor R. A. Jackson was given $100,000 in cash upon his retirement; that Vice-President C. H. Warren was paid $50,000 in cash and in addition was given $255,000 par value of the stock of the New Jersey Company; that Vice-President Robert Mather was paid $25,000 in cash; that Director G. T. Boggs, who was also secretary to the board of directors, was given $15,000 in cash when he retired from secretaryship. According to the commission's report contributions to officals of the railway campany in excess of their salaries aggregated about $1,000,000.

When the capital stock of the railway company was increased Mr. Warne stated that shares to the par value of $880,500 were placed by resolution of the executive committee in the name of the president to be disposed of at par "for the benefit of such officers of the company as the president shall elect and determine," which contributions were in addition to the annual salaries of the officials, these latter ranging from as high as $75,000 to $32,000.

Other Salary Abuses

The commission, according to Mr. Warne, very mildly characterizes this failure of the Chicago, Rock Island & Pacific to state on its pay-roll the true amounts paid to its officers as merely "another misleading and objectionable practice of the railway company's officials."

Mr. Warne also called the attention of the committee to what he claimed to be a fact by referring to instances in which individual railway officials drew annual salaries from more than one company.

The exclusion from railway wage statistics of these salaries of general and division officers, Mr. Warne contended, is of the greatest importance in any measurement of wage increases proper. This is all the more necessary for correctness of the statement, he said, when it came to determining the average wage received by the employes.

This average wage, the witness declared, had been greatly exaggerated in the testimony of witnesses for the railroads, the actual money wage received by the great majority of rail-

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