

# The Work of the President's Cabinet

## THE TREASURY DEPARTMENT

At last the country is to be congratulated upon having a man at the head of the United States treasury department with sufficient courage and common sense to make the tons of money in the vaults at Washington serviceable to the people of the country. It seems like a very simple process when we have it demonstrated to us by a clear-headed business man like Mr. McAdoo, and the striking thing about it all is, that nobody ever thought of it—or, at least, that nobody ever did it before. That, however, is not a matter of essential consideration just now. The fact is that the present head of the treasury department believes that the people of the United States, as a whole, are entitled to whatever benefits may be derived from the use of idle government funds at times when funds are needed, and he is not content with holding this belief as a theory, but has put his theory into practice. That is the most encouraging and beneficial phase of the situation. Business men and bankers throughout the country have, within the last sixty days given general expression to the belief that the progressive and reassuring policy of the treasury department at Washington, has saved us from a panic toward which the money hoarders were pressing us at every point. Three months ago there was panic talk everywhere. Business men saw the old signs of impending trouble, and they began to feel the painful grip of the hoarder's hand. Then came the cheering message of guaranteed relief from Washington. The men who were running things at the national capital sent a message of defiance to the panic makers. That was enough. That was all the honest people of the country wanted to know. If the men in charge of affairs at Washington were with them—if the government would lend them money instead of lending it to the panic makers—then the farmers, and the factory men and the merchants and the honest bankers were ready to snap their fingers at hard times and go on with their work. Money at once became more plentiful, the excessive interest charges were reduced, and business conditions at once improved. It was the magic of confidence.

On July 31 Secretary McAdoo sent out a message to the country that he proposed to transfer from the treasury to the national banks in the agricultural districts from twenty-five million to fifty million dollars to facilitate the moving and marketing of the crops in the west and south. That there was urgent need of available funds for this purpose was evidenced by the appeals that came from many quarters; "But," asked the doubting farmers and shippers, "can these government funds be so distributed that we will get the benefit of them without paying heavy tribute, as usual, to the big bankers of the east?"

"Yes," answered the men at Washington, "it can be done and it is going to be done." And now it has been done and \$46,500,000 of the fifty million has been allotted to the banks of the west and south and much of this money is now on the road. It was all very easy.

First the secretary of the treasury invited all of the big bankers from the principal crop producing centers of the west and south to come to Washington and familiarize themselves with the plan. First came those from the south, then those from the middle west, and last, those from the Pacific coast states. To each group of bankers, Secretary McAdoo said, in brief:

"We hope you will co-operate with us in this undertaking and do your part in helping business conditions of the country. You will be required to pay two per cent for the use of these funds and we shall expect you to deal liberally with your small correspondent banks to whom you are to distribute the money. The terms are, that you must secure this loan with ten per cent government bonds and the remaining ninety per cent in high municipal bonds or other bonds and prime commercial paper. The bonds, other than government bonds, will be accepted at seventy-five per cent of their market value and the commercial paper at sixty-five per cent of its face value. All securities offered must be accepted by the secretary of the treasury. These funds must all be returned to the United States treasury before April 1, 1914."

There were, of course, many more conditions looking toward the absolute security of the

government and for facilitating the rapid and easy distribution of the money. The plan was so simple and fair to all concerned and provided such certain relief from the great strain upon the banks, that the bankers, almost without exception and without criticism, gave their warm and enthusiastic approval of the arrangement. One after another, bankers from the west and south, stated frankly they were convinced that the secretary's plan had averted a panic and their praise of the government's patriotic attitude was generous and often expressed.

The allotment of the \$50,000,000, thus far made, among the various states, is as follows:

Western States: Colorado, \$1,000,000; California, \$3,000,000; Illinois, \$4,000,000; Indiana, \$1,050,000; Iowa, \$1,000,000; Kansas, \$550,000; Minnesota, \$2,000,000; Missouri, \$5,000,000; Nebraska, \$1,300,000; Oklahoma, \$750,000; Ohio, \$2,100,000; Oregon, \$800,000; Washington, \$1,150,000; Wisconsin, \$1,000,000.

Southern States: Alabama, \$1,500,000; Arkansas, \$600,000; Florida, \$1,500,000; Georgia, \$1,700,000; Kentucky, \$1,650,000; Louisiana, \$2,600,000; Maryland, \$2,800,000; Mississippi, \$600,000; North Carolina, \$1,300,000; South Carolina, \$1,500,000; Tennessee, \$1,950,000; Texas, \$2,500,000; Virginia, \$1,450,000; District of Columbia, \$500,000.

Because of the immediate needs of funds for the cotton crop, the southern states are the first to receive their allotments. Fifty per cent of the money for the south was sent out in August and the remainder will be shipped during September. The money for the west will be transferred to the principal shipping points as the maturity of the crops demand.

## THE NAVY DEPARTMENT

Taxpayers generally will be gratified to know that, as a result of the efforts of the navy department to induce broader competition for the supply of its necessities, this department has effected a saving of approximately \$500,000 in contracts recently awarded on materials for Battleship No. 39. Of this amount, about \$400,000 was saved on a portion of the armor contracts, and \$100,000 in the purchase of turbine rotor drums.

Shortly after his induction into office, Secretary Daniels became convinced that the government was paying more for armor than it should, and when the opportunity afforded, he recommended in a communication to the senate committee on naval affairs the desirability of looking into the reason for the high cost of armor and to inquire as to the feasibility of constructing a government armor plant. There are but three foundries in the country, Carnegie, Midvale and Bethlehem, capable of producing heavy armor; and for some time past their bids have been remarkably similar, varying not more than a few dollars a ton. Yet they profess that no combination nor understanding exists among them, and each makes a sworn affidavit to this effect.

When bids were first received on special treatment plate for Battleship No. 39, the obvious lack of competition caused the department to reject all. When they were re-opened, it was revealed that the Carnegie company had religiously maintained the bid first entered. The Carbon Steel company of Pittsburgh, however, submitted a bid of \$187.04 a ton, for 3,900 tons. The last contract awarded on similar material was for Battleship No. 38 (Pennsylvania.) Then, the government agreed to pay \$284.03 a ton, or \$96.99 (34 per cent) more than will be paid under the new contract, effecting a saving of \$378,261.

It was therefore but natural to hope more lively competition would result in the bidding on the heavier armor for this ship. But such hopes as might have been fostered were rudely shattered when it was found that the Carnegie, Midvale and Bethlehem companies had entered precisely the same figures, and that the figures they now submitted were identical with the last accepted bids. Only in Class C (steel) armor is encouragement to be found. The Carbon Steel company, unable to manufacture the heavier grades, can manufacture this. Carnegie, Midvale and Bethlehem each bid \$548.00 a ton; Carbon bid \$448.00, saving the country \$100.00

a ton on the limited quantity of this material required. They have been awarded this contract, but new bids have been asked on the other grades.

It is sincerely to be regretted that the department has been compelled to make purchases abroad. Its policy is to favor the home manufacturer and it will, unless he asks a price utterly unwarranted. Consequently, it was with the greatest reluctance that the department felt constrained to decline the bids of our home manufacturers on turbine rotor drums, and to accept that of John Platt & Co., representing the Cyclops Steel and Iron Works of Sheffield, England. Only a vast difference in bids could force such action. The difference involved fully justifies the award. But two firms in this country manufacture these articles, Midvale and Bethlehem, who bid \$160,272, and \$169,568, respectively; while John Platt & Co. bid \$57,436, a saving to the government over the lowest American bid of \$102,836. The Platt bid includes the payment of import duty by the manufacturer.

The government is confronted with a serious situation in the matter of armor. Are we to continue paying exorbitant prices, or shall we seek relief. Armor constitutes one of the principal essentials of a modern battleship. Since it was introduced, its importance has advanced in relation to the increased penetrative power of modern projectiles, and today it is a ship's main element of defense against the fire of an enemy. Its cost is likely to increase. Surely, it can not decrease materially—not at all unless competition is established. Its manufacture entails a large investment and exceptional scientific treatment; few firms can or will manufacture it, not only because of the investment required, but because there is only one consumer, the government. How, then, are we to secure the maximum of efficiency in armor at the least reasonable cost? Mr. Daniels is of the belief that the answer lies in the construction of a government armor plant—not a plant to manufacture all our armor, but one adequate to supply a good portion of it, enabling us to maintain competition and obtain accurate knowledge of its cost, and yet leave work sufficient to justify the maintenance of home plants that will supply material at a reasonable figure. The logic of this view is conclusively demonstrated by our government shipyards, gun-factory and powder-factory, institutions that effect the saving of millions annually, but still permit public enterprises of the same nature to compete with them and thrive. Can not the armor question be treated as we have powder, guns and ships? The secretary believes it can, and successfully.

The secretary of the navy has made an important change in the examinations for appointment to the United States marine corps. On July 14th, fifty-six young men stood the examination for second lieutenants in the marine corps. After the examination papers had been turned in, and carefully examined by Mr. Daniels, he felt that the tests for "adaptability and probable efficiency" had been allowed to operate in such a way as to deny justice to some of the young men standing the highest examination, thereby substituting the opinion of three officers for an impartial written test. The adaptability test counts 3 out of a total grading of 10. The secretary issued an order to throw out the "adaptability and probable efficiency" test and directed the judge advocate general to revise the papers so as to eliminate the adaptability mark and to consider the candidates' standings only on the basis of the marks made on the written examination. This resulted in the elimination of four men who had attained to places among the 16 highest and the elevation of four others who had received low efficiency marks but whose written examination marks were higher than those received by the four men whom they had displaced. The number of positions to be filled was 16. An enlisted man, John C. Foster, a chief yeoman, jumped from eighth to second place after the elimination of the adaptability test on which he had been graded very low. Furthermore, three former midshipmen, who failed on mathematics, had been given a low aptitude mark in the first examination held by the marine corps examining board on the ground that "bilged" midshipmen were not desired in the marine corps. The secretary explained his attitude in the following interview:

"I rejected entirely the marks given by the board for 'aptitude and probable efficiency' on the ground that this was a matter of pure con-