

Secretary M'Adoo Shows Urgent Need of Merchant Marine

The following is from a copy of a letter written by Secretary of the Treasury William G. McAdoo at North Haven, Maine, August 1, 1915, addressed to Charles W. Gold, president of the chamber of commerce of Greensboro, N. C., and read at a banquet of that club, August 4, 1915:

"No section of our country should be more interested than the south in the expansion of our trade and the strengthening of our influence in Central and South America. Consider what this means to the south in the matter of cotton alone. The south produces annually more than twice as much raw cotton as we consume or turn into manufactured products at home. The south is dependent, therefore, upon foreign markets for more than half of her annual cotton crop. Any interference with our foreign markets for cotton reacts injuriously upon the south. Nothing could more clearly demonstrate this than the events of the past year. The effects of the European war have been felt nowhere so seriously as in the cotton producing states.

LESSONS FROM EUROPEAN WAR

"We must learn from the European war this lesson; that we must do everything in our power to lessen our dependence upon foreign markets for the sale of raw cotton. This can be done by increasing our foreign markets for cotton fabrics made in our own mills and factories. Then the largest part of our cotton crop will be sold entirely to our own manufacturers, who will fabricate it upon our own soil, thus assuring a more stable market for our raw cotton and at increasing prices. New and enlarged industries will be created, giving employment to labor and bringing increased wealth and prosperity to the cotton states.

"The markets of Central and South America are open to us today as they never were before. If our cotton manufacturers were prepared now to turn out the kind of cotton goods the people of those countries want, we could undoubtedly take and keep the vast amount of trade in cotton goods our foreign competitors have been obliged to abandon. I asked a leading cotton manufacturer of the south why he did not try to capture the South American business. He said he would be glad to do it, but that we had no ships under the American flag upon which he could depend for the transportation of his goods to South America on regular sailings and at reasonable rates of freight; that he would have to make a large capital expenditure to produce the kind of goods the South American market required, and that he would have to spend a large amount of money to introduce these goods in South America; that if he risked his capital in such a venture and then found himself dependent upon ships of foreign flags which were more interested in building up the cotton business of European rivals than that of the American cotton manufacturer, he would find himself driven out of the South American markets after peace in Europe is restored; that foreign steamship owners increase freight rates over night, without notice; that these rates are frequently so prohibitive that the American manufacturer can not compete with the European manufacturer; that foreign ships discriminate against American trade, and that the sailings from American ports to South America are irregular and slow and unreliable.

RELIABLE SHIP SERVICE NEEDED

"This manufacturer declared to me that if the shipping bill had been passed by the last congress, so that reliable steamship service, under the American flag, and backed by the United States government, had been established, so that he could depend upon reliable service, with regular sailings and reasonable rates for freight, he would be willing to increase his plant in the south, manufacture the goods required by Latin American countries and take a share of that valuable trade. He said that other manufacturers in the south would do the same thing, and that he was confident that, within a few years, there would be an enormous increase in cotton manufacturing in the south and a great accretion to the wealth and prosperity of the southern people. He said it was useless, however, to consider any such ventures unless ample ocean transportation facilities to South America are provided; that private capital could not be depended upon for this service and that nothing but gov-

ernment backing would give the necessary assurance of a permanent and adequate steamship service.

"This is, undoubtedly, a reasonable and sound position for the cotton manufacturer to take. He can not be expected to make a perilous investment, nor can he command the necessary capital to enlarge his business for South American trade, unless he can have the assurance of reliable ocean transportation, at reasonable rates.

"Is it not the intelligent and rational thing for the government of the United States to provide for the people of this country the steamship facilities that are so imperatively demanded in the interests of our trade and commerce, when private capital refuses to do so? Is not this question especially vital to the south? Are we going to be so unintelligent and so unenterprising as to let our great opportunity escape?

"At the recent Pan-American financial conference a resolution was unanimously adopted by all of the foreign delegates present and by all of the representative business men and bankers of the United States who were in attendance, declaring that improved ocean transportation facilities between the leading ports of the United States and Central and South America is vital to the extension of our trade and commerce. Mr. Samuel Hale Pearson, the chairman of the Argentine delegation, put the case forcibly when he said: 'How can we trade with you unless we can communicate with you?'

"Not only are ships under the American flag needed to carry our trade into Central and South America, but they are imperatively demanded for the protection of our commerce with the nations of Europe. I firmly believe that, if we had an ample supply of American ships to carry our cotton to Europe, at the rates of freight which prevailed prior to the European war, it would mean an increase of one to two cents per pound over what it will be possible to get for raw cotton under present conditions. Before the European war, it used to cost from \$1.25 to \$2.50 per bale to transport cotton to the leading European ports. Now it costs from \$5 to \$15 per bale to transport cotton between the same ports. The present ocean freight rates mean a charge of from one to three per cent per pound for carrying cotton to Europe. This is an enormous tax and, of course, it adversely affects the price which the farmer gets for his cotton, because the higher the cost of transporting any commodity to market, the lower the price realized by the producer.

THE SHIP PURCHASE BILL

"The administration at Washington foreseeing the serious injury that the cotton producers and the other producers of our country would suffer because of the lack of American ships and the extortionate rates for freight charged by foreign ship owners since the European war broke out, submitted to the last session of congress a bill for the creation of an American merchant marine. The government of the United States owns today, and has owned since 1902, the entire capital stock of the Panama Railroad company, which railroad company owns and operates a line of steamships from New York to Panama. The republican party, with the aid of democratic votes, put the government in this steamship business. These ships have been operated at a profit during all the years the government has owned them, and since the European war broke out the service has been maintained and there has been no increase in the rates for passengers or freight. This service has been of incalculable benefit to the American people and to the people of that part of Central and South America who are accommodated by it. In the last congress the administration proposed to carry the principle a little further by organizing another steamship company, in which the government was to be the sole stockholder, and which steamship company was to buy, build, and operate ships under the American flag to South America and to other places where the interests of American commerce required. This steamship company was also to be authorized to lease ships if they could not be bought or built in time, and to operate such leased ships in the interest of American commerce. The bill also provided for the creation of a shipping board, which was to supervise the operations of the steamship company

and see that its business was conducted in the interest of the American people.

"Had this bill been promptly passed, there is no doubt that a very considerable number of ships could have been bought at that time; that others could have been chartered, and the company would have been ready by this time to begin rendering a substantial service to American commerce. Orders for other ships could have been placed in our ship yards and a large number of ships would already have been under construction. But, if ships could not have been bought promptly, the company had authority to lease ships, as before stated, and, undoubtedly, a very considerable fleet of vessels could have been assembled by this time to carry our cotton and other American products upon the high seas at reasonable rates of freight and with corresponding benefit to all of the American people. The rapacity of foreign steamship owners would have been checked. The competition by the government-owned corporation would have compelled them to carry cargoes at reasonable rates, and an immense amount of money would have been saved to the American farmer and the American manufacturer who ship their goods to foreign markets.

FACE EXTRAORDINARY CONDITIONS

"There was no more important bill for the best interests of the south and southern people than this shipping bill. It was filibustered to death in the last senate of the United States by the republican party, aided, I regret to say, by some democratic senators, several of whom are from the south. It is time, not only for the southern people but for the American people, to look this momentous shipping problem squarely in the face. These are times when conditions are extraordinary, and we must resort to extraordinary measures, if necessary, to meet them. Why should the American people allow their interests to suffer merely because some are too timid to act, or too unintelligent to act, or afraid to utilize the great powers and resources of our government to rescue us from a situation where private capital refuses to act? The paramount duty of the hour is to protect American rights and American interests, through the strong arm of our government, which is the only reliable agency upon which the people may depend to solve national problems of such magnitude as those which now confront us.

A democratic congress, under the leadership of a democratic president, passed a currency bill, known as the federal reserve act, which is the greatest thing that has been done for this country in a half century. For the first time in our history, the American people are in position to become the leading financial power of the world, but the federal reserve act will perform in part only the great service of which it is capable unless we supplement it with the creation of an American merchant marine which will sail to all quarters of the globe, carrying our commerce under the protection of the Stars and Stripes into the open markets of all the world, and giving to our people their just part of the world's trade.

"We must protect American rights and American interests with firmness, with justice, with courage, and with enterprise. We can not do this unless we have our own ships. We can not longer be dependent upon foreign flags. It is not safe to do so. We need American ships, not only for the expansion of our commerce, but we imperatively require them as auxiliaries for our navy. Our navy is today sorely handicapped because there are not enough American ships of suitable tonnage and character to form an effective naval auxiliary in time of war. A modern navy without adequate and suitable naval auxiliaries is rendered helpless for offensive operations at any considerable distance from its home base. We would be justified today in spending fifty to sixty million dollars for the creation of an adequate fleet of naval auxiliaries. These auxiliaries could be used in time of peace for the training and education of the American seamen upon whose courage and valor and knowledge we should have to depend in the event of war, while, in time of peace, they could be used in the fruitful pursuit of trade with enduring benefit to the commerce, the industry, and the prosperity of our country.

SHIP SUBSIDY UNDESIRABLE

"It is simply fatuous to hope that private capital will provide these ships. Private capital will not provide them, even if the navigation laws, about which there is so much irresponsible talk, should be changed as private capital demands. I have never found even two capitalists who agree as to what changes should be made in our navigation laws. I have yet to find any man who, although arguing that the only thing need-