

## M'ADOO ON THE SHIP PURCHASE BILL

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increase or shipyard facilities and give employment to many of our workmen during the winter months in those parts of the country where they would otherwise be idle.

The shipping board should have power to reform our navigation rules and regulations; to study shipping problems and recommend to the congress the necessary legislation to encourage and develop a great merchant marine under the American flag.

The time has come when the congress should consider the creation of some instrumentality for the regulation of merchant marine companies. As it stands today, no ocean transportation company is subject to the least regulation or control by the government. Marine companies operate their ships, change their sailings, or discontinue the operation of their ships when and as they please, and regardless of the rights of shippers. They fix rates and change rates without notice, arbitrarily and in total disregard of the rights of shippers. They determine what cargo they will or will not carry and discriminate in favor of one shipper against another.

When we consider the effective laws which have been passed by the national government and the various states to regulate common carriers, it is amazing that the steamship companies which are common carriers on the high seas have been allowed to go all these years without regulation or control. What could argue more strongly in favor of governmental regulation of ocean carriers than the recent action of the Pacific Mail steamship company? Here is a company which has operated a service between San Francisco and the Orient for many years. Our business men, manufacturers, and producers, have built up great trade interests with the Orient upon the faith of this service. All of a sudden, and without adequate notice, and with utter indifference to the injuries that might be done to shippers and the interests of this country, the Pacific Mail steamship sells its ships and announces that it will discontinue its service. Suppose that the directors of the Union Pacific railroad company should decide that they could make more money for their stockholders by tearing up the rails of their tracks and selling them and their locomotives and cars to some belligerent government, because that government is willing in time of war to pay fabulous prices therefor, what do you suppose the indignant people along the line of this railroad would do to the officers and directors of that company? No common carrier on land would be permitted to do such an arbitrary and injurious thing as our common carriers on the high seas may at any time do with impunity.

The Pacific Mail people claim that the passage of the Seamen's bill forced them to discontinue business. I am told that the Seamen's bill was not the mainspring for the transfer of the Pacific Mail vessels. The Panama Canal act, which denied railroads owning competitive steamship lines the right to operate them through the canal, and the fact that present abnormal rates for cargo space on the Atlantic, which made it possible for the Pacific Mail to sell its ships at more than their real value, was, I understand, the true cause of their sale.

In attributing the transfer to the Seamen's bill, the Pacific Mail people had an opportunity to excuse themselves in the eyes of the public for an action which otherwise would have been strongly denounced. But if

the government has passed laws which make it unprofitable for them to operate their ships in the Pacific, they might properly say that they can not and ought not to be compelled to maintain their service at a loss. Let us grant that. It is certain, however, that adequate steamship facilities between the Pacific coast and the Orient are vital to the interests of our country. Suppose they can not be maintained except at a loss. Must we, then do without these facilities? I say no. In those circumstances such service should be provided under our flag, and if private capital can not afford to provide it because it involves a loss, then the government should provide it and take the loss for the general welfare of all the people and for the protection of our trade and prosperity, especially when the vessels for such service become a part of the naval auxiliaries essential to the national defense. If the shipping bill had been passed in the last congress the Pacific Mail ships would not have been transferred to the Atlantic. The shipping board would undoubtedly have bought those ships and kept them in the Pacific trade where they are needed, and the interests of the Pacific coast would have been saved from injury.

The shipping board should also have the power, acting in conjunction with the interstate commerce commission, to arrange for the issuance of through bills of lading between our railroad lines and steamship lines, operating under the American flag in the foreign trade, and to provide the means whereby special through rates can be made between our railroads and steamship lines to enable them to meet the competition of foreign carriers in the open markets of the world. I am sure that plans and regulations of this character, if properly worked out, would give our shippers and business men the opportunity of largely increasing their business in foreign markets by putting them in better position to meet competition.

Is there anything unreasonable in this plan? On the contrary, is it not a practical plan which promises to give early results? Up to the present time our antagonists have offered nothing but criticism. They roundly denounced the plan proposed at the last congress for the creation of a merchant marine, but they never offered a single practical or constructive suggestion as a substitute for that plan. The country is not satisfied with mere criticisms of a practical plan. It demands that this important problem be solved in the interest of the nation, and expects that those who criticize will present a practical substitute if they want a hearing. Let our opponents present constructive suggestions.

The shipping bill introduced in the last congress is different in some details from the plan here suggested, but the bill was introduced in September, 1914, just after the great European war had begun, when it was necessary to move swiftly for the protection of American business interests. Even that measure would have been of inestimable service to the country, had it passed, because there was a superabundance of purchasable ship tonnage which could have been bought at that time and used with immense benefit to American commerce during the past year.

American business has paid dearly for the defeat of that measure. I am sure that the increased and extortionate ocean freight rates paid by our defenseless producers and shippers in the past twelve months have exceeded several times the \$40,000,000 which the shipping bill authorized the government to expend on merchant vessels. But this is only a small part of the injury. Grave

losses have been sustained by our business men because they could not ship at all. Take lumber and manufactures of wool as an example. For the fiscal year 1914 our exports of these products were, in round numbers \$99,000,000; for the fiscal year 1915, they were, in round numbers, \$48,000,000, a decline of \$51,000,000. This was due almost entirely to the lack of ships and prohibitory ocean rates. Take coal as another instance. In the face of the most extraordinary demand for our coal from Spain, Italy, France, Argentina and South America, our total exports of coal for the fiscal year 1915 were, in round numbers, \$56,000,000, against \$60,000,000 for 1914—showing a decline of \$4,000,000 in the face of the greatest demand in our history for our coal for foreign consumption. France alone needs 40,000,000 tons of coal the next year. We could supply it if we had the vessels. Think of the stimulus to our coal and lumber industries and the profitable employment it would give to labor if we had supplied the ships to secure this foreign trade for our producers. I could multiply instances, but it is unnecessary.

In 1907, Mr. Gallinger, the distinguished senator from New Hampshire, and leader of the republican party in the last senate, said:

"We need American ocean mail lines to South America and other distant markets, and we shall have them. We shall have an American merchant marine and a naval reserve. We shall not go on forever, as we are going now, paying \$200,000,000 every year in freight, mail and passenger money to the ship owners of foreign nations, our rivals in trade and possible enemies in war."

How much more imperative and vital now is the need which Senator Gallinger so eloquently and accurately described eight years ago!

A vigorous and persistent attempt has been made to prejudice the country against a practical measure for the establishment of a merchant marine on the ground that it would put the government in the shipping business; that it is socialistic, etc. The proposition was not to put the government directly in the shipping business, but to let it take stock in a corporation which was to engage in the shipping business.

The first congress which convened after the adoption of the federal constitution, recognized the right of the government to subscribe stock in a private corporation when its business is impressed with a public service. My illustrious predecessor, Alexander Hamilton, proposed the organization of the first United States bank with a capital of \$10,000,000. In 1791, the congress authorized it and subscribed \$2,000,000, or 20 per cent of the capital stock. Federalists and republicans alike voted for it, and President Washington approved it. When the second United States bank was incorporated in 1816, democrats and federalists alike voted for it, and President Madison approved it. The second bank had a capital of \$35,000,000, and the United States subscribed \$7,000,000, or 20 per cent of its capital stock.

The next notable instance of the government subscribing to the capital stock of a corporation is that of the Panama Railroad company, which also operates the Panama Steamship line between New York and Panama. Here again is a corporation whose business is impressed with a public service. Republican senators and congressmen voted almost solidly for this measure, and President Roosevelt approved. The government of the United States owns every dollar of the Panama Railroad company stock. The Panama Railroad and steamships have been operated for

the past thirteen years by this private corporation in which the United States is sole stockholder, under the supervision of the war department, and the ships have always been operated at a profit. Political influences or activity have never interfered with the conduct of that company's business. Senators Burton, Gallinger and Lodge, and many others who have opposed the government taking stock in a steamship company, voted for the purchase of the stock of the Panama Railroad company and steamship lines. It is somewhat amusing to hear republican senators strongly denouncing the idea of the government engaging in in "any business that will interfere with private enterprise," in the face of the record they have made in congress. Who put the United States in the express business and almost destroyed all of the private express companies in the country? The republican party. It was during Mr. Taft's administration that the republicans championed the parcels post. It is true that the democrats helped them put it through, but it does not lie in the mouths of the republicans to say that they are opposed to the government engaging in private business in the light of this record. It was the republicans, also, during Mr. Taft's administration, who put the government in the savings bank business, by establishing the postal savings bank. I remember when bankers throughout the country were strenuously opposing the postal savings bill because they urged that the government would become a competitor in the savings bank field.

Let me instance also the the federal reserve act. There is no piece of legislation in half a century which has produced already such pronounced benefits to the American people as this great measure. Bankers and politicians throughout the country opposed this bill because they said it put the government in the banking business; that it is "socialistic." The American Bankers' association, at its annual meeting in Boston in October, 1913, about two months before this bill was passed, formally denounced it by resolution as socialistic, etc. Do you know why the federal reserve system was successfully established? It was because of a provision in the bill which authorized the United States to take all the stock in federal reserve banks which the national banks failed to take. Doubtless you will recall that many banks threatened, while the federal reserve act was under discussion, to withdraw from the national banking system if it became a law. It is quite likely that if the government had not protected itself by providing that the United States might subscribe to the stock of the federal reserve banks, a formidable movement among the national banks of the country to withdraw from the system might have been successfully carried out. In that event we would have had no federal reserve system. But the fact that the government would, if necessary, provide the capital to establish the federal reserve banks made the banks realize the futility of further opposition. As a result we have today twelve federal reserve banks which have consolidated and organized our credit system and resources on such a basis that we are the strongest nation financially upon the face of the earth.

I believe that there is no intelligent banker, business man, or citizen of this country, who understands the federal reserve system and its workings, who does not thank God for the great law which created that system, whether it be socialistic or whether it puts the government into the banking business or not.

Since the beginning of the republic  
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