"All Americans Will Benefit by Ship Subsidy"

President Declares Bill Will Save Government "Staggering Losses"—Says Foreigners Foes.

Washington, Nov. 21.—The text of President Harding's address to congress follows:

Members of the congress:

Late last February I reported to you relative to the American merchant marine and recommended legislation which the executive branch of the government deemed essential to promote our merchant marine and with it our national welfare. Other problems were pressing and other questions pending, and for one reason or another which need not be recited, the suggested legislation has not progressed beyond a favorable recommendation by the house committee. The committee has given the question a full and painstaking inquiry and study and I hope that its favorable report speedily will be given the force of law.

It will be helpful in clearing the atmosphere if we start with the frank recognition of divided opinion and determined opposition. It is not new experience. Like proposals have divided the congress on various previous occasions. Perhaps a more resolute hostility never was manifest before, and I am very sure the need for decisive action—decisive, favorable action—never was so urgent before.

Not Dealing With Theory.

We are not now dealing with a policy founded on theory, we have a problem which is one of grim actuality. We are facing insistent conditions, out of which will come either additional and staggering government losses and national impotence on the seas or else the unfurling of the flag on a great American merchant marine commensurate with our commercial importance to service as carrier of our cargoes in peace and meet the necessities of our defense in war.

Dependent on Allies.

There is no thought to magnify the relation of merchant marine to our national defense. It is enough to recall that we entered the world war almost wholly dependent on our allies for transportation by sea. We expended approximately $3,000,000,000, feverishly, extravagantly, wastefully and impractically. Out of our eagerness to make up for the ommissions of peace and to meet the war emergency we builded and otherwise acquired the vast merchant fleet, which the government owns today.

In the simplest way I can say it, our immediate problem is not to build and support a merchant shipping, which I hold to be one of the highest and most worthy aspirations of any great people; our problem is to deal with what we now possess. Our problem is to relieve the public treasury of the drain it is already meeting. Let us omit particulars about the frenzied war time building and turn to note the mere business problem, the practical question of dollars and cents with which we are confronted.

Half Government Owned.

The war construction and the later complexion of war contracts left us approximately 13,200,000 gross tonnage in ships. The figures are nearer 12,500,000 tons now, owing to the scrapping of the wooden fleet. More than half this tonnage is government owned and approximately 2,250,000 tons are under government operation in one form or another. The net loss to the United States Treasury—sums actually taken therefrom in this government operation—averaged approximately $16,000,000 per month during the year prior to the assumption of responsibility by the present administration.

A constant warfare on this loss of public funds, and the draft to service of capable business management and experienced operations, have resulted in applied efficiency and enforced economies. It is very gratifying to report the diminution of the losses in $4,000,000 per month, or a total of $50,000,000,000 a year; but it is intolerable that the government should continue a policy from which so enormous a treasury loss is the inevitable outcome. This loss, moreover, attends operation of less than a third of the government-owned fleet.

It is not a question of adding new treasury burdens to maintain our shipping, we are paying these burdens now. It is not a question of contracting an outlay to support our merchant shipping, but we are paying already. I am not asking your authorization of a new and added draft on the public treasury; I am appealing for a program to diminish the burden we are already bearing.

When your executive government knows of public expenditures aggregating $50,000,000 annually, which it believes could be reduced by half through a change of policy, your government would be unworthy of public trust if such a change were not insistently urged.

And the pity of it is that our present expenditure in losses is not constructive. It looks to no future attainments. It is utterly ineffective in the establishment of a dependable merchant marine, whereas the encouragement of private ownership and the application of individual initiative would make for a permanent creation.

Further Losses.

But I have not properly portrayed all the current losses to the public this year. We are wearing out our ships without any provision for replacement. We are having these losses through deterioration now, and are charging nothing against our capital account. But the losses are there, and regrettably larger under government operation than under private control. Only a few years of continued losses on capital account will make these losses through depreciation alone to exceed fifty millions a year now drawn to cover losses in operation.

Notwithstanding the known war cost in $3,000,000,000 for the present tonnage I will not venture to appraise its cash value today. It may as well be confessed now as at some later time that in the mad rush to build we builded poorly, often very poorly. Moreover, we constructed without any formulated program for a merchant marine. Our fleet costing approximately $3,000,000,000, is worth only a fraction of that cost today. Whatever that fraction may be, the trouble remains that we have no market in which to sell the ships under our present policy, but face a program of surrender and sacrifice and the liquidation which is inevitable unless the pending legislation is sanctioned, with a cost of scores of millions more.

The Answer.

When the question is asked, Why the insistence for the merchant marine act now, the answer is apparent. Waiving every inspiration which lies in a constructive plan for maintaining our flag on the commercial highways of the sea, waiving the prudence in safeguarding against another $3,000,000,000 madness if war ever again impels, we have the unavoidable task of wiping out a $50,000,000 annual loss in operation and losses aggregating many hundreds of millions in worn-out, sacrificed or scrapped shipping. Then the supreme humiliation, the admission that the United States—our America, once eminent among the maritime nations of the world—is incapable of asserting itself in the peace triumphs on the seas of the world.

This problem cannot longer be ignored; its attempted solution cannot longer be postponed. The failure of congress to act decisively will be no less disastrous than adverse action.

Three Courses.

Three courses of action are possible and the choice among them is no longer to be avoided.

The first is constructive—enact the pending bill under which I firmly believe an American merchant marine, privately owned and privately operated, but serving all the people and always available to the government in any emergency, may be established and maintained.

The second is obstructive—continue government operations and attending government losses and discourage private enterprise by government competition, under which losses are met by the public treasury and witness the continued losses and deterioration until the failure ends in sheer exhaustion.

The third is destructive—involving the sacrifice of our ships abroad or the scrapping of them at home, the surrender of our aspirations, and the confession of our impotence to the world in general, and our humiliation before the competing world in particular.

A choice among the three is inevitable. It is unbelievable that the American people or the congress which expresses their power will consent to surrender and destruction.

It is equally unbelievable that our people and the congress which translates their wishes into action will longer sustain a program of obstruction and attending losses to the treasury.

Constructive Alternative.

I have come to urge the constructive alternative. I have come to ask you to relieve the responsible administrative branch of the government from a program upon which failure and hopelessness and staggering losses are written for every page, and let us turn to a program of assured shipping to serve us in war and to give guaranty to our commercial independence in peace.

I know well the hostility in the popular mind to the word "subsidy." It is stressed by the opposition and associated with "special privileges" by those who are unfailing advocates of government aid whenever vast numbers are directly concerned. "Government aid" would be a fairer term than "subsidy" in defining what we are seeking to do for our merchant marine, and the interests are those of all the people, even if the aid goes to the few who serve.

If government aid is a fair term—and I think it is—to apply to authorizations aggregating $75,000,000 to promote good roads for market highways, it is equally fit to be applied to the establishment and maintenance of American market highways on the salted seas. If government aid is the proper definition for $15,000,000 to $40,000,000 annually expended to improve and maintain inland waterways in aid of commerce, it is a proper designation for a needed assistance to establish and maintain ocean highways where there is actual commerce to be carried.

Without Protest.

But call it "subsidy" since there are those who prefer to appeal to mistaken prejudice rather than make frank and logical argument. We might so call the annual loss of $50,000,000 which we are paying now without protest by those who most abhor, we might as well call that a "subsidy." If so I am proposing to cut in half, approximately, and to the saving thus effected there would be added millions upon millions of further savings through ending losses on capital account—government capital out of the public treasury—and there would be at least the promise and the prospect of the permanent establishment of the needed merchant marine.

Guards Against Enrichment.

I challenge every insinuation of favored interests and the enrichment of the special few at the expense of the public treasury. I am, first of all, appealing to save the treasury. Perhaps the unlimited bestowal of government aid might justify the apprehension of special favoring, but the pending bill, the first ever proposed which carried such a provision, automatically guards against enrichment or perpetuated bestowal. It provides that shipping lines receiving government aid must have their actual investment and their operating expenses audited by the government, that government aid will only be paid until the shipping enterprise earns 10 per cent on actual capital employed, and immediately that when more than 10 per cent earning is reached, half of the excess earnings must be applied to the repayment of the government aid which had been previously advanced. Thus the possible earnings are limited to a very reasonable amount if capital is to be risked and management is to be attracted. If success attends, as we hope it will, the government outlay is returned, the inspiration of opportunity to earn remains, and American transportation by sea is established.

Though differing in detail, it is not more in proportion to their population and capacity than other great nations have done in aiding the establishment of their merchant marine.

Concern about our policy is not limited to our own domain, though the interest abroad is of very differing character. The maritime nations of the world are in complete accord with the opposition here to the pending measure. They have a perfect right to such an attitude. When we look from their viewpoint we can understand. But I wish to stress the American viewpoint. Ours should be the viewpoint from which one sees American carriers at sea, the dependence of American commerce, and American vessels for American reliance in the event of war.

Having discussed in detail the policy and provisions of the pending bill when previously addressing you, I forbear a repetition now. In individual exchanges of opinion not a few in house or senate have expressed personal sympathy with the purposes of the bill and then uttered a discouraging doubt about the sentiment of their constituencies. It would be most discouraging if a measure of such transcending national importance must have its fate depend on geographical, occupational, professional or partisan objection. Frankly I think it loftier statesmanship to support and commend a policy designed to effect the larger good to the nation than merely to record the too hasty impressions of a constituency. Out of the harmonized aspiration, the fully informed convictions and the united efforts of all the people will come the greater republic. Commercial eminence on the seas, ample agencies for the promotion and carrying of our foreign commerce are of no less importance to the people of the Mississippi and the Missouri valleys, the great northwest and the Rocky mountain states than to the seaboard states and industrial communities building inland 1,000 miles or more. It is a common cause, with its benefits commonly shared. When people fail in the national viewpoint and live in the confines in community selfishness or narrowness, the sun of this republic will have passed its meridian, and our larger aspirations will shrivel in the approaching twilight.

To Pay Every Dollar.

It is my firm belief that the combined savings of operating losses and the protection of the capital account through more advantageous sales of our war-built or war-seized ships, because of the favorable policy which the pending bill will establish, will more than pay every dollar expended in government aid for 25 years to come.

The approximate sum of $5,000,000 annually paid for the transport of ocean mails is no new expenditure. The loan fund to encourage building is not new: it is the law already, enacted by the essentially unanimous vote of congress. It is only included in the pending bill in order to amend so as to assure the exaction of a minimum interest rate by the government, whereas the existing law leaves the grant of building loans subject to any whim of favoritism.

Broader View.

It should be kept in mind also that there are assured limitations of the government proposed. The direct aid with ocean carrying maintained at our present participation will not reach $20,000,000 a year and the maximum direct aid, if our shipping is so promoted that we carry one-half our deep seas commerce, will not exceed $30,000,000 annually. At the very maximum of outlay we should be saving $20,000,000 of our present annual operating loss. If the maximum is ever reached the establishment of our merchant marine will have been definitely recorded and the government-owned fleet fortunately liquidated.

From this point of view it is the simple incontestible wisdom of business like dealing to save all that is possible of the annual loss and avoid the millions sure to be lost to the government's capital account in sacrificing our fleet. But there is a bigger, broader, more inspiring viewpoint, aye, a patriotic viewpoint. I refer to the constructive action of today which offers the only dependable promise of making our war time inheritance of ships the foundation of a great agency of commerce in peace and an added guaranty of service when it is necessary to our national defense.

Foremost Thought.

Thus far I have been urging government aid to American shipping having or mind every interest of our producing population, whether of mine, factory or farm, because expanding shipping is the foremost thought of every nation in the world today.

I believe in government aid becomingly bestowed. We have aided industry through our tariffs, we have aided railway transportation in land grants and loans, we have aided the construction of market roads and the improvement of inland waterways. We have aided reclamation and irrigation and the development of water-power; we have loaned for seed grains in anticipation of harvests. We expend millions in investigation and experimentation to promote a common benefit, though a limited few are the direct beneficiaries. We have loaned hundreds of millions to promote the marketing of American goods.

Chief Sufferer.

At the present moment the American farmer is the chief sufferer from the cruel readjustments which follow war's inflations, and befitting government aid to our farmers is highly essential to our national welfare. No people may safely boast a good fortune which the farmer does not share.

Already this congress and the administrative branch of the government have given willing ear to the agricultural plea for post-war relief and much has been done which has proven helpful. Admittedly it is not enough. Our credit systems, under government provision and control, must be promptly and safely broadened to relieve our agricultural distress.

To this problem and such others of pressing importance as reasonably may be dealt with in the short session I shall invite your attention at an early day.

I have chosen to confine myself to the specific problem of dealing with our merchant marine because I have asked you to assemble two weeks in advance of the regularly appointed time to expedite its consideration. The executive branch of the government would feel itself remiss to contemplate our yearly loss and attending failure to accomplish if the conditions were not pressed for your decision. More, I would feel myself lacking in concern for America's future if I failed to stress the beckoning opportunity to equip the United States to assume a befitting place among the nations of the world whose commerce is inseparable from the good fortunes to which rightfully all peoples aspire.

A national exposition of power and mechanical engineering is to be held in New York next month.

Consolidation Hearing Halted

Interstate Commerce Commission Will Hold Rail Examination in Northwest.

Washington, Nov. 21.—Interstate commerce commission hearings on railroad consolidations in the northwest were temporarily suspended today, to be resumed in western cities affected by the plan. Places and dates for the hearings will be determined later, and it was indicated that representatives of the public in the territory concerned will be given opportunity to present views then.

Chief executives of the ore carrying railroads of northern Minnesota, the Duluth, Messabe & Northern and the Duluth & Iron Range, submitted a joint statement at the hearings today flatly opposing any merger of these roads with any group. To include them with the Chicago, Milwaukee & St. Paul and the Great Northern, as one group, the statement said, would destroy competition completely.

Officials of the Hill group of railroads, the Northern Pacific, Great Northern and the Chicago, Burlington & Quincy, who have opposed the commission's tentative plans to separate either the Great Northern or Burlington from the group, will be present for cross-examination in the western hearing, it was indicated.

Railway Clerks' Hearing Will Be Started Thursday

Chicago, Nov. 21.—(By A. P.)—Disputes between the Brotherhood of Railway and Steamship Clerks, which did not strike during the recent shopmen's strike, although voting to do so, and 41 carriers will be heard by the United States railroad labor board Thursday.