

The Economic Club of New York

36th Meeting

New Opportunities for
American Commerce and Industry

May 22, 1916

Hotel Astor
New York City

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Introduction

President William R. Willcox, Chairman

Gentlemen of the Economic Club: I am very glad, indeed, to welcome so large a number at this, the last dinner of the year, and the closing dinner of my administration. The membership of the club, limited to 1200, is complete, and we have a good waiting list. (Applause) the financial condition of the club is most excellent and I think that after these 9 years we all can understand and fully realize the place that The Economic Club has in our civic life. Here is an open forum, where questions affecting the economic condition of the country are freely and openly discussed and it is due to this open forum that the success, to a large degree, of The Economic Club is due.

Before I call upon the Chairman of the Nominating Committee to make his report, I want to thank you, one and all, for the cordial support you have given to the administration of the club during the 2 years which it has been my honor to be president and to preside over these meetings. I esteem it a great honor that I was permitted for 2 years to preside over your deliberations and I shall welcome, as you will welcome, the distinguished gentlemen, who, I am sure, will be the unanimous choice for president. I will now call upon Mr. Percy Strauss to give the report of the Nominating Committee.

MR. PERCY STRAUSS: Mr. Chairman: After careful deliberation your committee respectfully nominates for your consideration the following candidates for the office of The Economic Club of New York, to be held at the election this evening:

For a term of 1 year, from October 1, 1916 to September 30, 1917, for President: Mr. Frank A. Vanderlip.

For Vice-Presidents: Messrs. Henry Morgenthau and Daniel Willard.

For a term of 3 years, from October 1, 1916 to September 30, 1919, as members of the Executive Committee: William R. Willcox, Henry P. Davidson, Theodore N. Vail and Morgan J. O'Brien.

MR. SPENCER: Mr. Chairman, I move the adoption of the report of the Nominating Committee and that the Secretary be directed to cast 1 ballot in favor of the persons named.

MR. WILLCOX: Is the motion of Mr. Spencer seconded?

A VOICE: Seconded.

MR. WILLCOX: The Secretary will cast the ballot.

MR. ELY: It is cast.

MR. WILLCOX: The Secretary reports, gentlemen that the ballot as cast is for the officers as reported by Mr. Strauss, the Chairman of the Nominating Committee, and I therefore declare them duly elected as the officers of The Economic Club. (Applause)

MR. WILLCOX: We are honored tonight in having with us, as our guest of honor, one of our people, but who was called to Washington to become a member of the Federal Reserve Board after the passing of that Act, which was so thoroughly discussed in this hall before a meeting of this club. We all know Mr. Warburg, his achievements in this city, and we were all glad, I am sure, when the President, in his wisdom, called so distinguished a banker to the important work at the very beginning and at the outset of the undertaking. And now after nearly 2 years of work, we have persuaded Mr. Warburg to come over here for this evening and he will speak to us for a few minutes. I take great pleasure, gentlemen, in introducing the Honorable, Paul M. Warburg. (Great Applause)

Honorable Paul M. Warburg

Member of Federal Reserve Board

Mr. President and Fellow Members of the Club: When, 6 weeks ago, I had the honor of addressing the Conference of the international High Commission at Buenos Aires, I told the delegates that I considered myself an “exchange professor” whose most important function,

while in foreign countries, was not so much to teach as to learn and then, upon his return, to impart the useful information acquired to his own countrymen.

This is the first opportunity which I have had to perform this mission, and I consider it, therefore, a duty to tell you one of the first most inspiring impressions I received during my stay in foreign lands. This was at Rio de Janeiro, when our excellent Ambassador, the honorable Edward Morgan, gave me the startling news that, in South America, after dinner speeches were not the fashion (Laughter) and that Brazilians, in this respect as indeed in many others, were a highly advanced and kindly nation, permitting their guests to enjoy their dinner in peace! (Great Laughter) From that moment on I began to enjoy my trip, and I mention this incident to you because I know it will be an added stimulus to many to start out for the wonderful lands of our Southern Hemisphere. (Laughter)

I was much relieved to see from tonight's program that I am not listed among the "speakers", but that I am classified only as a "guest of honor." Much as I should have enjoyed the privilege of addressing you at length, the accumulation of work since I returned 2 weeks ago has been such that, to my great regret, I had to inform your President, when accepting your kind invitation, that it would be quite impossible for me to prepare an address befitting this occasion. I am glad of this opportunity, however, to make a few informal remarks - but not a speech.

Permit me to say, then, how much I appreciate the great honor you have done me in inviting me tonight, how glad I am to meet again my fellow members of this Club, and with what pleasure I am looking forward to listening to the addresses to be delivered by your speakers.

The topic, “New Opportunities for American Commerce and Industry” is, of course, one of the profoundest interests to me, particularly in its bearing upon our relations with our sister republics of South and Central America.

In considering this question, we might well ask ourselves: Why is it that these opportunities are now for us? Is it that those countries have changed, that we have changed or is it that the world about us has changed? The truth of the matter is that most radical upheavals have taken place in all 3 directions, so drastic indeed that economic relations all over the world will have to be readjusted at the end of the war.

The United States, in the beginning of 1914, was moving towards the position of an industrial and financial world power. The advent of the war precipitated this development with unparalleled rapidity and to an unprecedented degree; so that, as a result, our evolution from a mere agricultural and borrowing community into a great agricultural, industrial and lending power has now been completed.

While our own economic status has thus been strengthened, the wealthiest countries of Europe have been destroying their saving power at the rate of approximately \$85,000,000 a day; and while our own economic position as against these other nations has been consolidated by a sum which has been estimated at about 2 to 3 billion dollars, their own indebtedness has increased by more than 30,000,000,000. And, unfortunately, this condition continues to grow and nobody can at this time foresee how long the cruel hand of destiny will continue to grind into dust what it has taken generations of human toil and endeavor to create.

When we look into the future we ponder and wonder how these countries will manage to carry the burden under which they have to struggle. While we still hope that the load will not smother them, there is no doubt but that it will absorb so much of their strength that other countries that in the past have been developed largely by the excess saving power of some of these nations will, for years to come, find this fountain run dry or a least drastically reduced. That means, generally speaking, that the economic progress of our globe will be retarded fro a generation or more, and that those nations will fell it the most that were accustomed to depend upon European funds for the development of their resources and had not proceeded farm enough in this development to be able, as we were, to dispense with the assistance afforded by foreign capital.

This though was borne in on me very vividly in South America. Magnificent countries, resplendent with natural wealth and wonderful opportunities, are now threatened in their progress by a struggle not their own, and thousands of miles away. The deep significance of the

situation impressed me all the more because of its similarity to the history and the problems of our own country and because I was conscious of the fact that the United States would have been in precisely the same position had this world conflagration taken place some 20 years earlier.

We have to visit these great South American republics in order to realize the strong bond of affinity that exists between them and ourselves; in spite of differences in antecedents and language.

When I spent an afternoon at the country house of a leading cabinet minister of one of these republics - a house possessed by the family for generations - when I admired the wonderful old trees, the rooms full of books and art treasures, the walls covered with beautiful pictures of all schools, when I glanced at the old family portraits - and the new ones by Zorn, Sargent and Boldini - I had the same feeling that an old New England or Pennsylvania or Virginia family mansion will awaken in us, or an old house in Washington Square in New York.

Here, indeed, I saw the descendants of the Spanish Pilgrim Fathers! And again, when I studied the histories of these nations and saw their monuments erected to the memory of Bolivar and San Martin, I fully realized that these countries, too, had their Washingtons and their glorious wars of independence and their periods of transformation from colonial dependencies into sovereign republics. They have their race problems, their immigration problems and, like the United States, while reaping the advantages of a democratic form of government, they too have to struggle with

the difficulties caused by the premature and indiscriminate granting of equal suffrage to masses at the time not sufficiently educated.

But, gentlemen, visit Uruguay, the republic that, 10 years ago, held the record for frequent revolutions, and you will now find that it is the State of Wisconsin of South America, or - perhaps - it out-Wisconsins Wisconsin. You will find a most modern, highly progressive administration; government-owned banks, and lighting plants, trams and hotels owned by the municipality; beautiful universities, splendid agricultural and veterinary schools, and prisons so attractive and modern that I asked to have a cell reserved for myself - in case of need. And as the keen and intelligent men, now in charge of the administration of the country take you through their public buildings, and as you see the wealth and progress of the country, there comes to you the profound conviction that the swamps breeding the mosquito that spreads the infection of revolution are laid dry by the same influences that are the foundation of our own national growth; the influences of education, industry and political equality and liberty.

I wish that etiquette would permit me to describe to you some of the statesmen we met. I use the word statesmen advisedly, for we found men of the rarest type, courageous and sincere and inspired by the highest possible ideals.

It would be presumptuous of my part - after so rapid a visit to these vast countries - to attempt to picture to you this indescribable charm of Rio, or the untold and untouched riches of Brazil - a

country large by 269,000 square miles than the united States proper and having a population of only about 23,000,000 - or the endless Argentine plains, teeming with grazing cattle, or Buenos Aires, the city of over a million and a half inhabitants, with New York spirit and Paris taste, or Chile, the California of South America, with its wonderful climate, its virile race, its undeveloped water powers and mineral wealth.

I can venture only to speak to you in bird's-eye-view terms. But, speaking in these terms and fully conscious of the fact that generalization can never do justice to all the phases it appears to cover, we might say that the wealth of these countries, the lavishness with which nature has treated them, has, to a certain extent, been the cause of their weakness. It has made many of them dependent upon the marketing of a few single staples - be they coffee, rubber, cattle, wheat, nitrates or guano - it has prevented them from diversifying their industries, from producing at home many a thing that they purchase abroad, and it has made them extravagant instead of teaching them thrift. And again, gentlemen, we need not go very far to find the parallel in our own country.

The present world crisis has taught them - as it has taught us - the necessity of economizing, of importing less extravagantly, and of developing more intensively their own resources and industries. At the same time, it has brought home to them most forcibly the other necessity of never again being found dependent exclusively upon the ships, credit or good will of Europe to reach their markets. It is not only a humiliation to the national pride of these nations to be told

from whom they may buy in their own countries and to whom they may sell abroad, but their very economic life has been place in jeopardy by the temporary withdrawal of shipping and banking facilities, and by the extortionate freight rates exacted for what little tonnage has still been left over to take care of their trade. They look to us to remedy a situation which is as unbearable to them as it is to ourselves. They feel themselves at one with us in this respect, for it is for our own protection as well as theirs that the “stars and stripes” must fly over a mercantile fleet large enough to ensure the independence of the trade of this hemisphere. (Great Applause) they furthermore trust that our own financial emancipation will be an important factor in securing greater financial independence to them.

I returned from these Southern shores with the feeling that North, Central and South America are one economic unit, not only because nature has made us neighbors, inhabitants of the same great continent, but because our historic traditions, our political ideals and our economic problems and interests are substantially the same. While they are following in our wake, we are headed for the same goal, and the rocks and cliffs are the same in their course as in ours.

Central and South America and the United States are not competitors; they supplement one another. The more our population grows; the more we develop into an industrial nation, the more we ourselves shall consume foodstuffs that we used to export in the past, the more shall we be called upon to import the products of the Southern Hemisphere and export in return the articles that our manufacturers will supply.

It is but a short time since we began to take an interest in South and Central American affairs.

The reason is clear; economically we had not reached the point of development of being an industrial and, from the banking point of view, a lending nation. The consequence was that we were provincial, satisfied with our business opportunities at home, and unwilling to study and adjust ourselves to the habits and thoughts of other nations.

Changed conditions have brought about a different condition of mind; a change of mind on both sides. As Ambassador Stimson put it in a speech at Buenos Aires, we were like fisherman living in adjoining cottages facing the Atlantic, having all the windows towards the ocean, and looking across the sea all the time, with no means to look at each other. We now have broken a window into the adjoining wall; for the first time we begin to know and understand each other, and I, for one, should like to prophesy that, by mutual consent, very soon we shall widen that window rapidly and make it a very large and comfortable door. How that may best be done, others better qualified than I will discuss tonight.

Let me express only these general thoughts: Europe's saving power being crippled while our financial power has grown by her misfortune, there is no doubt that it will be both our opportunity and our duty to assist in developing the resources and industries of those of our sister republics that are still dependent upon foreign credit for the completion of their economic development.

Let us bear in mind, however, that the best business policy is not only the square deal, but the fair deal. Permanent business relations are not established by driving a hard bargain, but by transactions fair and equitable to both parties, and that applies as much to the south and Central American who desires to establish a market for his goods or securities with us as it does to the North American entering these new fields.

Furthermore, in order to perfect the establishment of intimate relations with these nations, we must understand and speak their languages. Confidence is the basis of business. If we do not understand these people, their methods or their point of view; we cannot deal with them with that consideration and discrimination to which every human race is entitled. We must be able to discriminate between the good and the bad amongst them, as they must be able to discriminate between us, but, having found the best, we must deal with them on the basis of the same full confidence and equality as we would deal with the very best amongst ourselves.

I wish that I could impress our businessmen with the importance of sending abroad only men of experience and high standing, such as enjoy their confidence to a sufficient degree to permit them to discriminate and not be bound by uniform and narrow restrictions. Let us remember that a country is often judged by the first business representatives it sends abroad, and let us, therefore, do all we can to keep away all elements that might do injury to the standing and reputation of our merchants and manufacturers. The United States Chamber of Commerce agreements for the arbitration of business disputes will be important factors in protecting the

good name of American businessmen in foreign lands. Glib talk and speeches will not avail. We shall be judged by our sets.

And, therefore, while, for years to come, we shall have a telling advantage in all works of development leading to more or less permanent investment in South and Central America, Europe will bend every effort at the end of the war to regain her full share in the regular commerce of these countries. She will need this trade much more than we do and we shall not be able to secure a fair proportion except by a determined and persistent effort. These markets cannot be conquered by spasmodic outbursts of energy and enthusiasm, but only by unrelenting and well organized work.

Nor can we expect to succeed unless this, our “land of liberty,” gives as much freedom to American enterprise - merchant, manufacturer, shipper or banker - as is enjoyed by our European competitors. (Great Applause) Our banks must be as free to go into foreign countries and to finance this foreign trade according to the local usages and requirements as are the European banks, which are practically free from legislative restrictions in this respect. Great headway has already been made during these last 2 years, and we have reasons to hope that some of the recommendations made by the Federal Reserve Board tending further to increase the scope and efficiency of American banking in foreign countries will be acted upon promptly and favorably by Congress.

A discussion of “New Opportunities for American Commerce and Industry” naturally brings to mind 2 of the most constructive achievements of our generation -- the Federal Reserve Act and the Panama Canal. It is impossible, however, to discuss tonight the important effect of the Federal Reserve System upon the development of our foreign trade and the great progress already made by our banks in these fields, or to describe the thrilling impressions received by us all during our trip through the Panama Canal, this wonderful piece of engineering which, by cutting apart the North and the South, brought them so much closer together. Let me, in closing relate to you only 1 little incident that deeply impressed me at Panama. An American Admiral’s wife said to me: “I am sorry we have to leave Panama and go home, because it is such a splendid place for my children!” Panama and yellow fever were words almost synonymous in the past; no higher compliment was ever paid American engineering and medical skill than this mother’s comment. It is this kind of work - the beginning of which we saw at Haiti and the complete, final success of which we perceived at Habana - that constitutes the highest type of constructive work, a contribution upon which every American may look with just pride.

I hope that American business will make for itself an equally good record. Our South and Central American fellow citizens will then esteem and love us - even though we should carry into their innocent countries the bad habit of after-dinner speeches. (Great Laughter and Applause)

PRESIDENT WILLCOX: I am sure that I express the thought of all the members of the Economic Club when I say to Mr. Warburg that we thank him sincerely for leaving his busy field

of action to come here and join with us tonight in one of our meetings of this club, of which he has so long been a conspicuous member. (Applause)

The subject for the general discussion this evening: “New Opportunities for American Commerce and Industry,” a subject in which all Americans are now profoundly interested, can be discussed by no better list of speakers than ours which is headed by a gentleman who has spent so many years, although he is yet a mere boy, who has spent to many years in foreign countries. For years associated in the Government of the Philippines after they became a dependency of this Government, he later became the Treasurer-General of Persia, where his career is so well-known to all Americans, Since that time he has visited the Philippines and I doubt whether there is any part of the world that he has not been in. he is a virile, active American and I take great pleasure in introducing the Honorable W. Morgan Shuster. (Great Applause)

MR. SHUSTER: Mr. Willcox and Gentlemen of the Economic Club: I have been especially admonished this evening by the very active and competent secretary of this organization that it makes little difference what I say as long as I say it loud enough. (Laughter and Applause)

It is relief to one who is called upon to head a list of speakers who have been proclaimed as knowing a lot about the subject. I have spoken in the past on a number of subjects which I felt more competent or less incompetent to discuss than this one, because I opine that at the present

time about the most complicated subject in the world is that of the field of American commerce and industry, especially with regard to foreign areas.

I sat down last night to go through the motions of thinking about what I was going to say on this subject and I started out by trying to imagine what I would have said 3 or 4 years ago had I this very grateful opportunity to address this assemblage and I could see quite clearly some things that might be worth mentioning on the subject of new opportunities for American commerce and industry abroad. And then I thought of the present time and since with all the thought that I have sought to give it I have been unable to disabuse my mind of the belief that every single principle or method of doing business outside of the confines of one's own count, which we have been familiar with in the past, is today in the solution, today in the balance, and that the biggest thing and the most important study which can be applied for the benefit of our legitimate foreign trade and industry is to peer into the future and to find out something of what relation that business and industry are to bear to the relations of the different nations throughout this world who are also engaged in it.

Time was, and not so very long ago, when a man or an association, about to enter upon a foreign enterprise of any kind from this country, had only to consider the areas of opportunity, transportation, needs of the people and his ability to produce in peaceful competition the articles which we needed or for which he thought he could create a demand, and if that were the situation today, I, for one, would feel unable to shed any light upon the question announced for

discussion this evening. But I believe that today we have simply had the end of the curtain lifted -- we have only had a glance under the curtain's edge, -- at a system of commercial and industrial warfare which has never before been known in the world. It will embrace the whole world. It will embrace every subject which is connected with commerce abroad -- the safety of ships, the right to exploit exclusively certain areas or territories, the recognition of the rights of neutral countries when a war is being waged, the great projection over many parts of the globe of what has been termed "spheres of influence," originally political but rapidly becoming commercial, whereas the contrary has been the course heretofore, and it will even challenge in some form or other every fixed doctrine which we have heretofore believed as the basis for peaceful commerce and trade.

The result of the situation -- the state of war which is so general in the world today -- in its relation to future commerce and trade, it seems to me is this: that the one overpowering lesson when you get aside from the horror of the bloodshed, is the power of organized effort made by millions of people. It is inconceivable to my mind that when the grateful day of peace shall come that that lesson will be forgotten by nations and people who have suffered in the making of that organization and those organizations who have had to learn their necessity and who have to a certain extent perfected themselves in the use of such organizations. It is inconceivable that governments which have been forced to subvert every principle in which they truthfully believed to the necessity of organized or massed effort, who have seen that on those efforts depended their

national safety and continued life, shall not apply those lessons when peace shall come, to what we have heretofore considered the peaceful arts of trade and commerce.

We are at peace and of course we shall endeavor to remain so, but it would be a mixed blessing, if you please, to this country if because of that state we shall overlook the lesson which has been so poignantly borne in on many other nations of the world, and that is that without national unity and consolidation anything but a fair degree of domestic contentment is impossible, any world effort is bound to be sporadic and bound to come to an untimely end. (Applause) If there is one lesson bearing upon our position as a commercial and trading nation which we must learn from this war it is that until we have to a certain extent reconciled and harmonized the cleavages which exist in this country today, we need never expect a just and adequate return for any efforts we may put forth abroad.

There are in this country today, let us call them, differences of criterion, differences of opinion, which hamper us and always have hampered us as far back as we have sought to go into competition in any part of the world with the more organized, the better organized and the older nations of Europe.

You can divide very easily the trade areas of the world into 3 parts, I think. Europe, practically every nation of which is involved in this war; Africa, divided up into colonies or claimed as colonies by participant nations to a large extent and the Near East Caucasus, Asiatic Turkey and

Persia, also a field of war. To attempt to speculate upon trade opportunities or commercial opportunities in this area or in any part of it is, of course, futile. We know not what flags will fly there, what forms of government will exist there, what alliances or combinations or devices will be employed by those in power at a given moment to hold or exploit, what may be possible over those areas, so it is useless speculation, it seems to me, to do otherwise than await results in that respect.

The second area: the Far East. Two countries stand aloof from the direct effects of the war. China, a nation which is not involved in the war directly or technically and Japan, which is only technically involved and whose commerce is today being carried on in a perfectly normal manner as far as actual warfare is concerned.

And then the third area, of which Mr. Warburg has so eloquently spoken to you, South and Central America. I speak not of Canada, because our relations with that nation must always remain of a peculiar nature.

Of those fields, one is closed and the other has been very seriously brought under discussion by recent political events. We had, or at any rate, assumed that we had some years ago, the policy in the Far East which we called that of the "Open Door." It was a semi-political and semi-trade policy, but the "Open Door," as we understood it, whether wisely or not, does not exist today any longer. There has been no official proclamation by a council of nations that it does not exist, but

the facts show that it does not exist and the facts show that one oriental nation, at least, intends following the lessons which it has learned from other and the so-called more advanced nations in the world, to utilize opportunities to further its industrial over-lordship over 400,000,000 people and derive all legitimate advantages there from. It is impossible to conceive, if I understand anything of the Far East or of the views of its people or of the way business is done there, it is impossible to conceive of business being done by citizens or subjects or associations of a foreign nation whose governmental policy is not in some manner thrown around or involved with them and that has been a thing which we have held rather aloof from in late years. There is not a nation in Europe today whose subjects are doing business in any form, whether it be banking or industrial or trade, ordinary trade, which has not a clear-cut policy in regard to the political status of its claims and its ambitions in the orient, whether it is always able to carry out that policy or not. We have not. I do not mean to argue for 1 minute that we should have or that any such policy is possible, but I simply call attention to that handicap when an American or an American association goes out to enter into competition in the Orient with the subjects and citizens of other countries. Now my object in calling attention to that is rather to direct your attention more strongly to the third field, the field which I am very happy to have heard Mr. Warburg emphasize as the important one for this country.

We have a great many neighbors in the western hemisphere, some of them very small and commercially not so important, others large and potentially very rich and capable of the greatest development. But they are neighbors in more than a geographical sense; they are neighbors in a

sense that they, too, are fortunately standing upon the sidelines, and while their commerce has been bruised and their finances even upset and their internal conditions even very much changed in many respects as a result of this war, as have our own, and while they have, to a very large extent, not profited as we have in many respects as a result of the peculiar conditions brought about by the war, because they are not highly developed industrial countries, still they have that sympathy of understanding with the United States which comes from being free from European and Asiatic political doctrines and ventures.

We should cultivate with every means in our power that state of mind. We can cultivate it in a small way by increasing commerce and banking and tariff and treaty relations with those countries. But if I have learned anything through my intercourse over a number of years with Latin speaking people and in South American and Central American countries, it is that for all they may claim to be hard-headed, practical, coldblooded businessmen, the currents of thought in those countries are still guided by sentiment. Unless we take that into consideration, we shall fail for a long while to understand them or to open wide that door of which Mr. Warburg has spoken and their judgment of us, gentlemen, is formed by facts and circumstances so foreign to your idea, I take it, of what they would be, that you would laugh if I had the time to tell you.

I wish that everyone present could in some mysterious way have a leading paper from each capital in South and Central America laid upon his table tomorrow morning, translated into the English language, if necessary, and see the class of news, the class of judgment passed upon

ourselves which is served up in those countries from some source or other. In this city we have learned how to read and discount news that we see in our distinguished press, some of it true and some of it slightly exaggerated, some of it unfortunate, if true. But we know just what percentage of importance to give to those unfortunate incidents. There is no censorship acting in our favor in regard to the South and Central American press. Every act, subject or statement which can be construed to fit a certain formula which some unknown influence down there has always been able to bring about to our discredit, to the discredit of our national purpose, to the discredit of our state of civilization that we are proud to speak of, is done. I have seen that with my own eyes or I wouldn't venture to make that statement. I have seen it not in isolated cases, but time and time again. It is the rule.

Now we can't change that. There are a great many sincere people in South and Central America who look upon the United States as a self-constituted over-lord and bully of the western hemisphere, who believe that we have down in our hearts and in the archives of our State Department a well formulated plan for absorbing politically, financially and commercially the whole western hemisphere, straight down to the South Pole as far as we can go. It makes you laugh, I dare say. If I know anything about our State Department, it hasn't got a well considered plan, with all due respect, for anything. (Great Laughter and Applause) I hope you will not take that as any reflection upon the capacity of our officials, personally, or anything of that kind. I mean it is our system. We haven't got a well considered plan of foreign policy in regard to

anything, much less South America. (Laughter and Applause) And I don't know that we ever will have.

It is very easy or comparatively easy to convince any number of men who are willing to take the time to listen to it that a certain thing should be done with regard to meeting certain conditions, but you must recollect that convincing a sufficient number of the population to make them bring to bear influence on the entire body that could work out and in fact put into force a policy bearing upon our foreign affairs, foreign commercial affairs, is a very different proposition. We are so big that we don't know ourselves and that is why I took the liberty of suggesting to you a moment ago that the big task that confronts American businessmen, American industrial leaders who are looking over the horizon today and wondering where they can profitably and legitimately go tomorrow, is first here in this country, is first here to bring something of knowledge to our people, that we can do nothing worthwhile in industry or in commerce beyond our own shores, unless it shall be done with the combined understanding and cooperation of our national government, of our businessmen, of our financial resources and of the advice of men who have given their time and study and effort to understanding what is to be done -- without that cooperation nothing can be done. (Great Applause)

In other words, it brings itself down after all to a domestic problem; it brings itself down in the same way that the idea of our defense program or preparedness is brought down. Can we who believe a certain thing, convince enough of the people in the course of time to make them drop

their prejudices drop their narrow ideas, again referring to Mr. Warburg's language, drop their narrow prejudices, so that in the battle for world conquest, whatever we may do among ourselves, that in the battle for world commerce, we are not confronting individuals or corporations, gentlemen, but we are confronting and in the future will confront organized nations and groups of nations who are determined to apportion to themselves, by one means or other, the commerce of the world.

Is it for one instant believable then, that sporadic well-intentioned; even powerful efforts, of individuals or groups of individuals can make much headway under those circumstances? I believe not, and I believe that the technique of foreign trade, which has been so often discussed both here and all over the United States, the old question of the indifference of the American exporters to his comparatively small market abroad, the question of providing proper transportation, the question of agents and representatives, the question of banking facilities, all those are what we call technical matters which are now well understood by all who care to look into the matter, but the question of producing a sentiment in this country, here, our basis from which to start, a belief on the part of our people that we must organize the forces of the nation to go abroad for trade, because we are going to find national organized forces of all kinds to meet us in competition, is the really vital one today.

Just one word more. I am a pacifist. I mean by that that I don't believe in war as a method of settling disputes, but I do believe without having any particular set of circumstances in mind, that

we cannot even do business in coming years in this world until we have put ourselves in a position to make our just and determined assertions of our rights on land and on sea respected by any nation or group of nations. (Great Applause)

PRESIDENT WILLCOX: The next speaker is a specialist in the field of economics. He understands as well as anyone among us the principles underlying trade and commerce. He is no stranger to the members of the Economic Club. I take great pleasure in introducing Professor Edwin R. A. Seligman, of Columbia University.

Professor Edwin R. A. Seligman

Columbia University

Members of the Economic Club, Ladies and Gentlemen: In the presence of so many captains of industry in this center of the nation's commerce, I am reminded of the witticism of Bernard Shaw, when he said: "He who, can, does; he, who cannot, teaches." (Laughter)

As a professional teacher, perhaps, however, I shall be able to call to your attention a few of the general principles which seem to be of importance in this world crisis and in this great opportunity for American business.

In the first place, why is it that we here in New York, especially, should attach so much attention and so much importance to the subject of international trade and foreign commerce? If you compare the figures, prodigious as they are, of our foreign trade, with the stupendous, the staggering figures of our internal commerce, they seem to be of the slightest importance and yet we all feel that we must not judge results by the figures, and why? Perhaps the answer can be given by a little simile.

Many of you have seen one of those wonderful dams, recently completed in Arizona, and as the waters collect and the level gradually rises, it finally reaches the top until it trickles over, first in a few drops, then in a growing stream and flows down the valley to fructify and irrigate the surrounding lands. In that way many a desert is converted into a smiling garden. The surplus waters do this wonder.

Foreign trade, gentlemen, is the surplus water which converts the desert into the garden. It is our surplus productivity which we are able to send abroad, which is the measure of our wealth and the measure of our prosperity and it is because of our belief and our hope in the spread of this surplus that we attach so much importance to our foreign trade. For, gentlemen, let it be understood, once and all, as all of you indeed know, that in most cases it is the profits of the foreign trade which are the great profits and which enable us gradually to accumulate that capital which spells prosperity.

Poor countries are always benighted countries. The great reaches of moral and spiritual heights can only be attained on the basis of material prosperity. The broader our basis, the higher the pyramid, the greater the apex, and this it is that everyone who thinks for a moment on the subject realizes that a nation grows prosperous and wealthy through the means of its foreign trade and that it is not simply the commercial centers, not simple the great captains of industry who become rich, but that these profits are devious, that they percolate through the entire body economic and affect all classes of all grades of all kinds.

Therefore, it is that we are especially interested in our foreign trade and that it takes many of us a long time to overcome the fallacies connected with it, which still lurk among us, and as you all know there are 3 fallacies against which we have been fighting for may a year.

The first fallacy is that what one nation gains, another must lose, whereas all thoughtful men, especially today, realize that with the individual as with the nation, your best customer is your rich customer. If you were to look for a moment at the figures of foreign trade, whether of this country or of Great Britain, you would find that our exports, like Great Britain's exports, to the few rich countries of the world, far transcend in importance the whole of the remainder, - sum it all up together, in Africa, Asia or elsewhere. That is the first fallacy to be remembered when we speak of spreading and developing our foreign commerce. Do not think only of the poor, backward countries, but keep your eyes also especially on the rich and prosperous communities.

In the second place, another great fallacy is to think that we can export goods galore without importing them. Now I do not for a moment desire to minimize the efforts, on the contrary, I second the efforts of all our great captains of commerce and of industry to spread and increase and augment their exports, but if you will look at the figures you will find that the richest countries are often those that import the most and the poorest countries are those that export the most. The increase of exports is a good thing as with us at the present time only when it means a surplus of production for consumption. If your surplus of exports means, as it has meant not infrequently in our history, that we have got to send goods abroad in order to pay the bankers' commissions, in order to pay the insurance premiums, in order to pay the shipping freight, in order to pay interest on the money that we have borrowed, why then, an excess of exports does not necessarily mean strength, but very often, weakness, and the great lesson that we can learn from the European continent today, the great anxiety with which England and France and the countries are looking at the future, the immediate future is all due to the fact that the production no longer, owing to the stress of the war keeps pace with the consumption. If you can produce more than you can consume, why, then, with a nation as with an individual, you are on the high road to prosperity; otherwise, it is a snare and a delusion, and finally, the last fallacy of which we must disabuse ourselves if we wish to make any progress and that is this.

Many, especially in the west, the North West and the Middle West, differ from us on the seacoast because they say in this great empire of ours, where fortune has smiled upon us and nature has been bounteous, why do we need foreign trade when we produce everything at home cheaper

than abroad? Why do we need to give these favors? Why do we need to attach all this importance to the efforts of our government or of mercantile communities? Of course, you know better, but the country does not. And that is due entirely to the fact that was put many years ago by the great English economist in the terms of comparative cost. If we can produce one class of commodities more cheaply than another country and if we can produce a second class of commodities still more cheaply, it will pay us to export the second class, but to import the first class. It is a question of the relative discrepancy, not of the absolute and the realization of that proof will make us sooner or later conclude that imports are as important in their way as exports.

But, gentlemen, it has been brought home to you by what the preceding speakers have said that this country has gone through a great evolution and is now on the parting of the ways. It has become a more or less trite consideration that we have outgrown our swaddling clothes; that from an agricultural nation, we are now becoming a great industrial nation. That fact, however, is an important one in many ways. If you compare the great commerce of antiquity or the middle ages, you will find that nations became great through exploitation of their neighbors. Modern times have changed all that and the nations that are now becoming great through foreign commerce and the nation which like ours is about to become far greater than ever and far more prosperous through foreign commerce, accomplished that result because of the industrial revolution which enables them no longer simply to exploit their neighbors, but to minister to their neighbor and in benefiting themselves also to benefit their customers.

But, gentlemen, one other point was alluded to by one of the preceding speakers and that I should say is the most important of all. In the stages of economic life we always find that nations go over from the agricultural regime to the industrial regime instead of exporting raw material where they have this opportunity of which I have spoken, as England and France and Germany and ourselves and later on China with the others, where they will export manufactured commodities. The third stage is the one which is the most important one - instead of exporting or by the side of exporting commodities they begin to export capital.

Not so many years ago, we used to believe that trade does not follow the flag. I am rather inclined to think that we minimize the importance even of the flag, for if you look at the exports of the British Empire, of Great Britain, of the United Kingdom the year before the war, 1913, you will find that whereas the United Kingdom exported to the rest of the world £465,000,000, it exported to its own possessions, where its own flag was flying £230,000,000; one-third of all the exports of the United Kingdom went to the countries under its own flag. But whatever may be true as to that, it is still undisputed. I think that commerce is greatly accelerated and benefited by the financial opportunities which serve as the basis of the commercial opportunities. It is those countries and primarily those countries which have been exporting capital which are able to in numberless devious ways to secure a lodgment for their commodities.

I was very much struck by the fact a few years ago when I happened to spend several months in Berlin to learn from some of the great bankers there how intimately connected the commercial

intercourse of Germany was with the development of the physical or financial control that they were beginning to exercise. And he who runs can read as to the influence of English capital in Egypt, in India, in Turkey, upon its commercial intercourse, and therefore, the problem we have to set ourselves in this: Are we living in a fool's paradise; is it merely a temporary oscillation of the pendulum which has enabled us last year not only to raise our exports to 4,000,000,000, where they used to be, our foreign trade used to be two and one half billions, but enabled us to export over a billion more than we imported, but also to export a billion of capital -- is this a more temporary phase or is it to be a permanent thing?

Now, gentlemen, we forgot that we still need a great deal of capital in order to develop our country. Those who look upon the immediate future of the United States as comparable to that of England or Germany or France are, I fear, living in a fool's paradise. We still need our hundreds of millions, our billions, to complete our railway system to dot the entire west, and the south, too, of this country with these industrial centers and we shall therefore have occasion to utilize much of this surplus activity of which I have been speaking a moment ago.

But here again, if we take a leaf out of the book of either England or Germany or France, it is not at all hopeless to assume that side by side with this industrial development of our own, we shall be able to spare in an increasing flow surplus capital to be sent to the less fortunately situated countries of the world. In this export of capital which is now beginning and which we may expect to proceed in an ever increasing flow lies, it seems to me, the chief hope of our future

foreign trade. For if you look to the bottom of this gigantic conflict which has put almost the whole world into turmoil, you will find, I think, the secret, the far deep roots in this contest, for the control of the export of capital.

Well, then, gentlemen, if that is true, much of what has been said is applicable. We need in this country not alone the efforts of the financier and the distinguished banker who has spoken to you tonight has perhaps in his modest way deserved better of this country and done more for the future prosperity of this country than many another that might be mentioned, because he, as you all know, laid the foundations of that wonderful reform of our financial system which for the first time promises us independence and equality with the countries abroad, (Great Applause) but we need more than that, we need facilities and we need education, and the facilities have also been alluded to tonight. It is enough almost to mantle the cheek of every American with shame to reflect that at the present time not only has our flag virtually disappeared from all the 7 seas, but that we have nothing with which we can utilize the latent forces of our naval efficiency.

Whatever we may think of the particular way in which it is being accomplished, and some of us perhaps might prefer another way, I think we shall all realize that what is being done at present in the way of reconstruction of a merchant marine is one of the indispensable steps, not only in the progress of our foreign trade, but in the up-building and the rebuilding of our own independence and secondly, the educational side is also to be considered in its larger aspects. We need not only these things that have been spoken of with reference to the education of the captain of commerce; we need also the preliminary education.

A few years ago a famous railway president said to me, as in fact to everyone, “When we choose our men, we prefer the men who don’t come fro college.” Nowadays, the great railway presidents will tell you when they take their likely young men, on the whole they have no prejudices against, but rather a prepossession in favor of the college men and what we need, not along in the railways, but in all the walks of commercial and industrial life is a better preliminary education also for the great future captain of commerce.

Furthermore, we need and we are beginning only to get that concentrated effort of governmental aid, such as we find in our Bureau of Commerce at Washington, but which is only a type of what might be done. We have been accustomed to lavish favors and assistance to the farmer. Isn’t it about time to begin to think also of other classes in their community besides the farmer? (Great Applause)

Finally, gentlemen, let me call your attention to another leaf that we may take out of the book of the great successful European countries. It has become now the practice in all large industrial and commercial firms in some of the European countries to attach to themselves, not along commercial experts and business experts, but what I might call for want of a better term, the economic expert, the man who tries to look at the things from the broad point of view, the man who tries to see the horizon, the man who has the imagination, and after all, the thing that distinguishes the businessman from the small man is precisely this character of imagination.

I should also like to call attention to the fact that we must not consider simply South America, important as it is; Asia, important as it is, but that if we take countries like Russia, like Turkey, like Sweden and Norway, we shall find that our exports to those countries are ridiculously small compared with the relative importance of those countries and compared with the exports which go to those countries from England or from Germany or from France.

One of the last words I should like to say before closing is that important as all these other fields are, let us not neglect the European field, because of the opportunities which are as abundant there almost, well-nigh as abundant there, as they are to the south of us.

Finally, gentlemen, our opportunities bring with them responsibilities. International trade has always the two sides to it. On the one hand, all civilization is really the product of international trade. It is through the internationalism of commerce and capital that we learn to abandon our prejudices and fears. We no longer consider the stranger as an enemy but if we look at international trade in this proper sense, we shall make of the stranger a friend.

And thus, gentlemen, these great opportunities bring with them the great responsibilities. Let the future captain of industry remember that in conquering the market he may also at the same time win the respect and affection of his customer; let him recollect that he has upon him a grave responsibility and that he may be able to spread among his customers throughout the world a

knowledge of the finer and the nobler qualities of that great American Democracy for which we are all so steadfastly battling at present and to the principles of which we are dedicating our earnest efforts and our truest aspirations. (Great Applause)

PRESIDENT WILLCOX: this evening, gentlemen, we are calling upon our universities to give us the underlying principles which must govern our commerce here and abroad. We have heard from the distinguished professor from Columbia and I now am going to call upon the professor who occupies the chair of Foreign Trade in New York University, Dr. W. E. Aughinbaugh, who will be the next speaker. (Great Applause)

Dr. W. E. Aughinbaugh

Author "Selling Latin America"

Mr. President, fellow guests and members of the Economic Club: According to American standards there are 2 kinds of representatives -- salesmen and order takers. The order take is a man who proceeding along the line of least resistance, merely sells a customer when he wants. The salesman is a kind of hypnotist who mesmerized the subject into a receptive estate of mind and then sells him what he does not want. (Laughter)

One of these psychologists drifted into Peru some years ago on behalf of an American company and managed to sell the Government Railway a snow plow. (Great Laughter) Now you

gentlemen know snow plows in Peru are just about as useful as gum shoes in the Sahara or refrigerators in Iceland. This, however, did not discourage the nimble-minded salesman. He met the purchasing agents pointed suggestion that it had never snowed in that particular part of Peru within the knowledge of the oldest inhabitant by advising him that just as soon as the Panama Canal was completed the ocean currents would be changed, with the startling result that countries which were then tropical would become colder. Heavy snows would take the place of the warm rains and unless his road was equipped with a snow plow it would be tied up the entire winter with snow drifts, whereas by purchasing the snow plow and having it ready for this emergency he would show to his fellow citizens that his scientific mind had been following the most advanced ideas regarding climatic conditions and demonstrate to them conclusively that he was a practical believer in preparedness. The purchasing agent succumbed to argument and flattery and bought the snow plow, which today is rapidly becoming a mass of iron oxide in the tropical sun of the land of the Incas.

That is one manner of doing business in Latin America. I shall endeavor to direct your attention to other methods of acquiring and developing Latin America trade based upon 20 years of actual practical experience in those countries.

Let us for a moment briefly consider Latin America, its area, its population and its trade possibilities. Latin America -- that is, the countries of Central and South America, together with Mexico, Cuba, Santo Domingo and Puerto Rico comprise 20 distinct states with a population of

from 65,000,000 to 75,000,000 of inhabitants. They cover an area perhaps 4 times as large as that of the United States. One country along -- Brazil -- is larger than the United States with its foreign possessions by more than 200,000 square miles. They do a gross foreign business yearly of more than \$3,000,000,000.

Every one of these countries is in process of development and expansion. They have in profusion the things the busy world needs. They are enormous producers of raw materials. Their mines are the richest known to man. Some of them have been worked for centuries and are still productive. Their broad fields are destined to make them the granaries of the world. Their extensive acreage of pasture lands means that the United States and Europe will depend upon them for meat. Their vast virgin forests of cabinet, building and dye woods are capable of supplying humanity with this material for hundred of years. Their inhabitants are daily raising their standards of living. Their trade must therefore increase. We cannot afford to longer remain indifference to their possibilities and the opportunities which they offer.

The problem which confronts us as a nation is how to properly develop this trade and after we have secured it, how to retain it against the united competition of all Europe, for after the present war is over it is certain that the nations now in conflict will make a harmonious and thoroughly organized attempt to regain this business now lost to them.

In my judgment 7 essential things are necessary for us to observe if we would properly develop a foreign market and retain it afterwards, namely:

First: A complete chain of American banks located in overseas countries, cooperating with similar home institutions and able to render prompt and substantial financial aid to both exporter and importer.

Second: A national merchant marine, independent of government control, but subject to its orders in time of war.

Third: The establishment of trade relations with other countries on a reciprocal basis.

Fourth: The organization of a Pan American newspaper service similar to our associated press, with the object of daily mutually exchanging news items of international interest.

Fifth: The absolute protection, by force, if necessary, of the rights of the American investor in foreign lands. (Great Applause)

Sixth: The immediate enactment of a law by Congress which will remove all doubt as to the application of the anti-trust laws as to export trade.

Seventh: The proper treatment by the American employer of the men who represent him in foreign fields.

The first of these requirements is in the process of satisfactory solution. Our bankers have seen the wisdom of profiting by the Federal Reserve Act and as a consequence a chain of American banks has been established in Brazil, Argentine, Uruguay, Paraguay and Chile. Other American financial institutions have opened their doors in Venezuela and Columbia, as well as in Central America. Cuba and the West Indies have close banking relations with us. Another group of monetary concerns propose starting banks in Bolivia, Ecuador and Peru. Other connections of a similar nature will be made as conditions warrant until the entire world will be girdled with American banks and the dollar as a standard of exchange will become a reality.

To thoroughly protect the American exporter, experience has demonstrated that certain amendments are necessary to the present Federal Reserve Act to that our banks may be at least on a par with European banking institutions with which they have to compete in foreign countries. Let us hope that the remedying of these defects will be given prompt attention by Congress.

The shipping situation is unfortunately in a chaotic state. I believe that governmental ownership of our merchant fleet would be unwise and might in times such as the world is now experiencing lead us into war. Our businessmen are keenly alive to opportunities and if laws are enacted that

will overcome or eliminate the handicaps now placed upon American shippers, affairs in this field of activity will automatically right themselves. As the horizon of the banking world was materially broadened by the passage of the Federal Reserve Act, in a similar manner will the enactment of a well balanced shipping law, drafted by those familiar with that industry, rehabilitate our merchant marine. (Great Applause)

From 1810 to 1845, this country maintained regular lines of sailing ships between Salem, Newburyport, Boston, New York, Philadelphia, Baltimore, Savannah, Charlestown, Mobile, and New Orleans with Rio de Janeiro, Montevideo and Buenos Aries. It was an American, William Wheelwright, who established the present Pacific Steam Navigation Company, now owned by British interests and doing the bulk of the carrying and passenger trade of the West Coast of South America. At the time of the declaration of Argentine's independence from Spain, over 100 American ships were in the port of Buenos Aries, and 1 observer writing of less than 60 years ago counted 462 vessels in the same harbor all flying the American flag. In my last trip from 'Frisco around the horn and back to New York, I saw the American flag but once and that was on a small lumber laden schooner at Valparaiso.

Foreign trade to be permanent should be established on a reciprocal basis. To expect to ship a nation your raw or finished materials receiving in exchange therefore a monetary consideration is neither equitable, sensible or practical. One of the Chief reasons that European nations obtained a firm foothold in overseas markets is due to the fact that they take in exchange for their

manufactured goods much of the crude exports and raw materials of these lands and convert them into factory products. From an economic standpoint, this is correct. It give employment to their citizens, develops and maintains their merchant marine, necessitates less material movement in the medium of exchange in payment for goods and more firmly entrenches each country in the other's business and friendly relations.

Fully aware of this fact, we have allowed others to take these raw products from the laboratory of nature, elaborate the finished articles there from and during each stage of their perfection from the source of origin to completion we have been content to pay a profit not to 1 but to many enterprising foreigners.

To be specific and by way of illustration, let me state that 80% of the world's supply of bismuth comes from Peru and Bolivia. It is used both in the arts and in medicine. It is safe to say that 30% of the prescriptions today call for this drug. The ore is shipped to Germany and England and there sublimated. Before it reaches the corner drug store or the manufacturer, 14 foreigners make a profit handling it.

South America produces much of the drugs used in medicine, especially quinine, cocaine, iodine, belladonna, aconite, digitalis, ipecac, jalep, sarsaparilla, tolu and valerian. All of these are shipped in their crude state to Europe and the chemically pure drugs made therefrom. We have

not 1 chemical house in this country actively engaged in making a complete line of these medicines.

In 1914 Germany and England smelted 50,000 tons of tin from Bolivian ore. The United States bought back 30,000 tons of it at a profit to the sagacious European. It is 3 times as far from Bolivia to Europe as it is from Bolivia to the United States.

European wool buyers haunt the wool markets of Uruguay and Argentine. I have never seen an American wool buyer at these sales.

Ecuador's chief product is cocoa of a particularly rich and delicate flavor. European buyers purchase 80% of this article and we the remainder. Then our merchants turn around and buy from European markets 50% of the chocolate that was bought from Ecuador by the Europeans.

The linseed of the world comes from India and the Argentine. A firm of Greek merchants controls this trade and we, the largest users of linseed in the world, pay the shrewd Athenian businessmen a toll on each point of the article we buy from them.

The Germans have created a wonderful button industry from the tagua or ivory nut, which grows in Ecuador and Columbia. Relatively speaking we live across the street from these 2 countries, yet we are the largest purchasers of these buttons from the German manufacturers.

I could fill a book with other examples demonstrating our shortsightedness and European foresightedness in developing reciprocal trade.

We should make a special effort to finance and to construct national and municipal improvements in these lands. They have always proven good investments for the Europeans and should be profitable for us. In each one of the Latin American republics there exists today opportunities to build reservoirs, water systems, electric and steam railways, electric and gas plants and sewers. There are mining opportunities in profusion. Many communities need smelters. The benefits to be derived from such investments are only too obvious. Yet we allow English, Canadians, Germans, French, Danes and Swiss to handle these profitable engineering propositions.

We have overlooked the fact that throughout Latin America there are in the neighborhood of 1500 daily and weekly papers that reach the intellectual classes. The power of the press in all lands for good or evil is great. Through it, national hatred and ridicule or national sympathy and esteem may be created. This makes it a potent factor in the development of a sentiment of good will -- a condition which of necessity must exist between nations before they proceed to the intimacy of commerce.

The Latin American press receives its knowledge of the outside world through European press agencies, chiefly English, German and French, which through jealousy or for commercial or political reasons is distorted so as to appear ludicrous to Americans who really know the true state of affairs but which very naturally is accepted as correct by our Latin American friends. Thus we learn from Latin American journals that the Americans were not competent to building the Panama Canal; that the United States had to bring experts from England to perfect and complete this great work. That the 2 men of war built by Americans for the Argentine navy had rotten steel in them so that the contractors were obliged to rebuild them 4 times before they were finally accepted. That the great State of New York was so bankrupt that in order to defray the expenses of executing the 4 gunmen an admission fee of 50 cents was charged those desiring to witness the affair and accompanying this article was a half tone showing the 4 criminals each with a rope around his neck. The Monroe Doctrine, they are told through these same agencies, is a joke and only a blind intended to ultimately give us possession of all of Latin America. Our diplomacy, our ideals, our national affairs, our politics, our lynching's, our stock manipulations, our banks and business failures are all played up in a manner calculated to reflect dishonor upon us. As a consequence can the Latin American be blamed for looking upon us with suspicion and distrust?

We want and we need the good will of every inhabitant of these lands if we are going to do business with them. A Pan American press agency calculated to supply correct cable and other news, gratuitously if need be, regarding our country and the people within its border would do

much to hasten the bringing about of a better understanding and a more friendly feeling between us and all of Latin America.

Capital is shy. Unless investments are absolutely guaranteed, investors are wary. One of the reasons for the failure of Americans to invest their funds in foreign lands is due to the indefinite and indifferent attitude of our State Department in absolutely failing to properly protect its citizens abroad, or in seeking and enforcing redress for injuries done individuals or business concerns operating in these countries. (Applause) this is an old story the world over as far as the American citizen is concerned. Our government has allowed Americans to be exploited everywhere by individuals and by governments and in most instances petitions for compensation for loss have either been neglected or entirely ignored. If the secret records of the State Department could be exhibited, I am sure that we would hang our heads in shame at the lack of national pride which the show.

When our government announces to the world a definite, concise policy for the protection of its citizens engaged in legitimate enterprises in foreign lands and carries out this policy with dignity and promptness and by force, if necessary, then may we expect to respect of the foreigner and of the governments of the world and not until then may we look for our investors to court trade in the verdant fields of opportunity which lie beyond our boundary. (Great Applause)

American exporters are confronted all over the world by combinations of foreign rivals equipped to resist American competition and are often obliged to sell to combinations of foreign buyers leagued together to depress the prices of American goods. Under the provisions of the anti-trust laws it has been impossible to American manufacturers to band together for mutual protection and resistance to these aggressive trade movements against them. Unless the American manufacturer and exporter can legally cooperate and form trade combinations they cannot effectively develop foreign trade nor retain the overseas markets which the war has temporarily given them. It is to be hoped that Congress will make the necessary legal provisions to remove this great boulder from the path of business progress. The Federal Trade Commission has urged that this be done and every businessman and trade organization in the country should strain every effort to aid in accomplishing this purpose, so essential for the success of our foreign trade.

If the American businessman engaged in foreign trade desires to get the best results let me urge him to be more considerate of his representative in overseas territory. The European exporter has always shown the greatest regard for his foreign representative. He is given courteous treatment, paid a good salary, allowed liberal expense accounts and frequently made a member of the firm. This, I regret to state, is not the treatment meted out to the American employee. AS a rule, after an experience man has prospected new territory and made the proper connections for his house, he is called home, offered the alternative of a reduced salary, or his services are dispensed with and a younger man, with less experience, requiring smaller pay is sent into the territory. Frequent changes in foreign representation do not have a good effect on the overseas merchant. Trade in

foreign fields is mostly done on the personality of your representative and the concern which frequently changes its representative creates a doubt in the mind of the native customer regarding its business stability.

It is a mistake to employ foreigners to represent American houses abroad. It is wrong to employ them in any branch of your export trade when competent Americans are to be had. Today in this country there are in profusion experienced, capable and intelligent Americans able to properly present to foreign merchants any business proposition. Give them the opportunity to do this work. At the University of New York, where I have the honor to lecture on foreign trade, we are educating several hundred ambitious, clean-cut young men for this very purpose. Most of them are studying Spanish. At the Y.M.C.A., where I also have a class in foreign trade, we have competent, reliable men, eager...

(ORIGINAL TRANSCRIPT ENDS HERE, LAST SPEAKER MISSING)