

The Economic Club of New York

The Better Outlook for Business

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DR. R. E. ELY: Something cheerful is to be said. Some of you, who are vainly endeavoring to bring chairs forward to places not big enough to hold them, will notice that although I am talking in a very moderate tone, everybody hears. You know why? Well, this thing is the reason (pointing), there are amplifiers here and you hear them amplifying at this moment. It is thought that hereafter, by the use of these amplifiers; the most desirable seats will be around here -- at the extreme exits. (Applause and laughter)

MR. WICKERSHAM: Gentlemen of the Economic Club: Until we get used to these amplifiers, I think it would be better if all the speakers will whisper. (Laughter) I am quite sure it will take a little time to accustom ourselves to having our voices come back and hit us before we get out our choice sentences. (Applause) So that, let me on behalf of those who are to follow bespeak indulgence of the audience if they should be carried away by a flood of oratory and pressure of thought and speak too loudly, you will know what contributed to it.

Before I refer to the topic of the evening, I think it appropriate to pay a tribute in passing to the memory of our first president, Mr. A. Barton Hepburn, who died a few days ago. Mr. Hepburn was one of the founders of this club, always greatly interested in its welfare and always a good friend of the club. Mr. Cravath desires to present a motion respecting his memory -- Mr. Cravath.

MR. CRAVATH: Mr. Chairman, I offer the following resolution: "Resolved, that the Economic Club of New York learns with deep sorrow of the death of its first president, A. Barton Hepburn.

In his death, the City of New York has lost one of its great citizens and the business community one of its most trusted and broad-minded leaders.”

“Further Resolved, that this expression of affection and sorrow be conveyed, on behalf of the Economic Club of New York, to Mr. Hepburn’s family.”

(The motion was seconded.)

MR. WICKERSHAM: All in favor of that, will please rise.

(The entire audience rises)

MR. WICKERSHAM: The motion is unanimously adopted. I have two reports that two distinguished gentlemen who were to have been with us this evening, have been prevented, one by illness, the other by official engagement, from coming here. Sir Horace Plunkett, well known as an outstanding figure in the Irish struggle for free government, is detained in the West, and Mr. Nevinson, is prevented by his official engagements in Washington, from coming here.

The subject which we have chosen for this evening is something which undoubtedly appeals to the hearts of all business men in New York, and is couched in those moderate terms, which I think are peculiarly appropriate to the Economic Club. If you will observe the subject of the evening, it is not, “The Great Outlook for business,” or the “Splendid Outlook for Business,” or the “Great Prosperity Before Us,” but “The Better Outlook for Business,” a subject that is near to the heart of all of us, a complex subject, one upon which the opinion of men differ greatly, the

causes for that outlook, which we begin to hope, some of us, to see better that it was, are beyond the comprehension of the ordinary man, and perhaps even the unusually intelligent and educated will not wholly agree as to what those causes are.

We have had the world in demoralization, in confusion for now seven years, and it is not strange that we are still in a period of uncertainty and of business confusion, clouds upon every horizon and yet here and there a patch of blue, which encourages many to regard the outlook as better than it has been.

We are going to hear, first, on that subject, from a very qualified observer from overseas. Mr. Francis W. Hirst is well known as the Editor of the Economist, of London. The Economist is one of the leading publications in the world on economic subjects. Mr. Hirst is one of that brilliant group of Oxford men, which includes some of the men who have been leaders of thought and action in England for the last few years. Himself, in his day, the president of the Oxford Union, which is a demonstration of recognition which he early secured from his fellows of his ability and his promise. A barrister by profession by that easy gradation, which we are accustomed to see nowadays, passing from that profession to another and becoming a journalist, and from the ordinary journalism gravitating, through the force of his own interest, and following the line of his studies, into a journalist of political economy; during the last few years a close student of affairs in England and in Europe, as well as in this country, and therefore quite exceptionally

qualified to speak to us on some of the economic questions of the day. I take great pleasure in presenting to you Mr. Francis W. Hirst. (Applause)

First Speaker

Mr. Francis W. Hirst

Mr. Wickersham, and gentlemen: I confess that I am a little staggered by the size of this evening's banquet and rather distressed to find that my old friend, Sir Horace Plunkett, has not taken the place which I supposed he would have occupied.

I do not know whether I am supposed to take up the part of the inaugurator of a Sunshine League, but I am afraid that if you do expect me to take on any part of that kind, you will be disappointed.

When I landed here a few months ago I met an optimist who said to me -- he was a very well-known New Yorker -- that the only thing that was really required in order to put business right, was that everyone should expect business to be good and believe in its being good; and he said to me that a pessimist was a man who asked timidly of his neighbor if there was any milk in the jug, and an optimist was a man who said to his neighbor, "pass the cream." (Laughter) So I said to him in reply that our definition of an optimist was a man who bought things from a Jew in the hope of being able to sell them to a Scotchman. (Laughter and applause)

What I would like to warn you against is the optimism which is based upon statistics of all forms of deceitfulness and I have had a great deal of experience in handling statistics. I am quite sure that the optimism and the speculation which is based upon statistics is most likely to prove disappointing.

I heard the other day -- probably you have heard it before -- of a man who was taken up for adulterating rabbit pies and he admitted that he had been adulterating them and it appeared that he had been adulterating them with horse flesh, and during the examination the judge, or whoever it was, asked him what the proportion of what the percentage was of adulteration, and he replied at once, "Oh, fifty per cent; I always allow one horse to one rabbit." (Laughter)

The only kind of optimism at the present time which is worth anything is the optimism which is based upon reasoning, and I am afraid in this case it must be based upon a sort of hypothetical hopefulness. You have got, if you want to be optimistic now, you have got to entertain the hopeful view of the politician and the statesman who controls the principal countries of the world. If only they could be induced to study the greatest happiness of the greatest number and to do the best they could in that spirit, I should be quite satisfied if they would do it in the spirit of enlightened selfishness. It is not at all necessary that they should be guided by the Sermon on the Lamp. That, I am afraid, is too much to be hoped for, but if they would be guided by a spirit of enlightened selfishness during the next two or three years, then I should feel very hopeful of a

rather rapid recovery, a recovery more rapid than occurred after 1815, which is the only parallel we can find, a recovery more rapid, because the forces of production are so much more powerful that they were a century ago.

What the world is suffering from now, and what business here and elsewhere is, of course, unproductive expenditure and extensive taxation. In England, for example, the middle classes are at least three times as badly off as they are in this country. At least a third of the income of the ordinary middle class man is taken in income taxes alone, and of course, if a third of his income is taken that way, his purchasing power is enormously reduced. That applies to the whole population, and that is the explanation of the enormous amount of unemployment. Now, the explanation explains why your customers in Europe are so much impoverished that they have to borrow imports from you instead of paying for them. Of course, that can't go on forever. The exhaustion of the purchasing power and of credit caused by the war is the first thing to remember, and the second thing to remember, and more important also, because it officers at once an idea of the true cure and remedy is the further exhaustion of both of credit and of purchasing power which had been caused by the ruthless rivalry of armament, by the suspicions and jealousies and by this accursed system of conscription, which has ended by practically ruining the continent of Europe.

Everybody is over-taxed, and a vast number of the most productive laborers in Europe are still under arms for the purpose of maintaining this peace, which I have always called "A peace that

passeth understanding,” (laughter) not only a peace that passeth understanding, but a peace, I am afraid also, which passeth execution.

Well, the result of this over-expenditure, this wasteful expenditure and this over-taxation, is, that practically every state in Europe is so exhausted that it cannot raise any more in taxes -- in fact, it would probably be, the taxes would probably produce more if they were lowered -- they can't raise any money, either internally or externally, because their credit is utterly exhausted, and what do they do? You may think they would reduce expenditure. Not at all. They print paper money and this printing of paper money is the third aggravating cause of the diseases of Europe.

The result of that is that in most countries all the people who had invested in prewar securities are utterly and totally ruined. When I was walking down The Strand just before I left, my attention was called by a tailor shop, and this tailor shop had a notice outside it saying that anyone who would buy a suit of clothes would receive a 10,000 ruble note, and that tailor said that when the 10,000 ruble note had recovered its prewar value, the person who received it would be worth 500 pounds. I made inquiries as to the price that day in London and I found that the value of that 10,000 ruble note was about half a dollar.

Well, that is the sort of thing that is going on all over Europe, and what I would like to point out to you is that there is no way of putting that situation right and there is no real way of stabilizing the currency, because this paper money is being printed in order to fill up the gap between

expenditure and taxation. Therefore, you must operate upon expenditure, and in my humble judgment the only hopeful thing is that the United States and Great Britain, being the two which at the present time are in the strongest moral and economic position, should act together for the purpose of bringing all these countries together and inducing to reduce their budgets and reduce their armament. (Applause)

I do not think that they will act in isolation. Remember, for instance, there is Poland. All the neighbors of Poland are jealous and afraid of Poland. You must get them all to act together and you cannot get them all together to reduce their armament, and you must have pressure from a source which cannot be neglected, and I think that source should be Anglo-American cooperation.

Now, if Europe was disarmed and dis-torn, if I may use that expression, if those twenty or thirty or more states in Europe were in exactly the same position as the states of the United States of America, then, of course, prosperity would very soon begin. It would be a wonderful thing. I always say to my American friends who are wondering whether they ought to be protectionists or free-traders, I always say that the United States is the greatest example of free trade for free trade, the greatest example which can be cited of free trade, where you have forty-eight states freely exchanging their products with one another, and there you have by far the richest and greatest free trade area in the world, if only we had that in Europe, it would be a very different story.

Now, lastly, even though we succeeded in bringing about all those things, there would still be two difficulties. The first would be German reparation, and as far as German reparations are concerned, I will simply remind you of the fact that after 1815 when we imposed upon France an indemnity of thirty million, the Duke of Wellington wrote a year or two afterwards from France, where he was occupying several fortresses, and suggested to the British government that the time had come to give up this indemnity, and they said, "All right." The result was that after the French had paid seventeen out of the thirty million, we let them off the remainder and brought all our soldiers home. That was a very sensible thing to do. (Applause) But I don't suppose that some of our friends in Europe are quite ready to adopt a measure of that kind.

The other thing is the allied war debt, and there again we might learn something from 1815. After 1815 the people began to ask what we were going to do about the loan which we had loaned to the various European countries to fight Napoleon. We had loaned a very large number of loans, and the answer which the British government gave was that they were going to treat all those loans as subsidies, and as a matter of fact, we never attempted, as far as I know to get back any of those loans. We treated them as subsidies, because we regard money loaned for war purposes as practically as good as lost.

May I give you, before I sit down, one example of what I mean? After the Napoleonic wars, I think it was Tanning discovered that it was well to call in the new world to redraft the plans of

the old, and some of our financiers thought that that was a good opportunity for loaning money to the new world and large number of loans were issued in London to the south American republics. Well, of course, what the South American republics did with them was that they used them for fighting with one another and after a few years all these loans had been used up, and we never say anything of them, either of interest or principal, but about thirty or forty years afterwards, when this unpleasant experience had been forgotten, British loans were raised for the purposes of lending money to the Argentine and other republics in South America, for the purpose of building railways. These railways were honestly built and those loans proved to be extremely profitable.

Now, what I would like the people here and the people in England also to realize is that loans for war purposes do not provide the coupons for payment. If you lend money to another country to build a battleship, you must not expect, unless that country is very, very rich, to get the money back, but if you lend it for a mercantile fleet, and the mercantile fleet is built and is productive then, of course, it will pay the coupons, the fleet will pay the coupons, and the same way, the railways will pay the coupons. If you have loaned any money for railways or for any useful work in the last few years, you may reasonable expect to get it back, but if you think that you are going to get back those loans from countries which have been ruined by war -- the more you loaned them, the more certain they were to be ruined -- if you think that you are going to get them back, I am afraid you are doomed to disappointment. But if you, without getting it back, if you could get the interest, what would that mean? Why, it would mean that there would have to come to

this country a constant stream of goods, for which there would be no export, a constant stream of goods for which there would be no corresponding export, and you would have to go on receiving them for all time, just as we have been receiving and we haven't liked it at all, a streams of goods -- as a matter of fact, it was coal from German in the way of indemnity. The interest on the war debt is economically exactly the same as an indemnity installment.

I think that the more experience that Great Britain and America have with this indemnity installment or war debt installment, the more inclined we shall be, I hope so, certainly, to cry out for a general cancellation, a cleaning up and the return to normal trade.

Well, gentlemen, I do not suppose for a moment that many of you agree with me in that particular diagnosis, but it will be a very poor compliment for you if I were to say or to have said what I didn't myself believe. I am strongly of that opinion, and I daresay that in two or three years' time, if I have the pleasure of meeting you again, that there will be more people who will agree with me these views that I can expect to agree with me tonight. (Applause)

MR. WICKERSHAM: Supplementing and following in natural sequence what has been said by Mr. Hirst, the question of bridging over this gap between outgo and income brings us to the subject of a national budget. The next speaker is a man who has devoted a great deal of time and attention to the subject of the national budget. It is a subject which at first when he began to work in that field and to talk about it, did not excite very much attention. That attention has grown, the

importance of the subject has increasingly been recognized and the services which Mr. Pratt has rendered in bringing before the people of this country a clearer, a more accurate conception of the necessity of the nation balancing its accounts, just as much as any merchant in the nation, is one of the encouraging signs of the times. I have pleasure in presenting Mr. John T. Pratt.

(Applause)

Second Speaker

Mr. John T. Pratt

Mr. Chairman and Ladies and Gentlemen: I suppose the reason why the budget is brought into the Better Outlook for business, is because every step taken forward in budgetary reform means better business conditions. How soon we will get the budget principle adopted in total is very much like the old question our children have occasionally to solve, as to how long would it take a frog to climb out of the well, if he climbs two feet every day and slips back one foot every night.

A great many things that have been done in government at times have gone back as the years have rolled on. I am told that the late Ward Bryce, in his early days, was very enthusiastic about the possibilities of a democracy, but the last years of his life, I believe, he lost some of that enthusiasm, but I am going to paint the picture as I see it, as I think he saw it in his early days,

and has been seen by a great many of the early men in the history of our country. Here is the picture of the future:

The President, whether Democrat or Republican, has called his cabinet men upon whose loyalty and ability he can depend in carrying out those policies of his party which the people of the country have approved at the polls. Each member of the cabinet has found himself, upon taking his oath of office, at the head of an administrative department already organized under the direction of a highly qualified permanent under secretary. Untroubled by the routine details of management, freed from the annoyance of place-seekers and their patrons, the cabinet officers are in a position to give practically all of their time to meeting of the cabinet, to consultations with the party leaders in Congress on proposed or pending legislation --- in a word, they have become real administrators wholly concerned with the problems of government. Their party service will be expressed in the fullness with which, as a result of their counsels, party policies are embodied in sane, progressive legislation.

The outstanding feature of the legislative program is the Annual Budget, with its estimates of receipts and of the amounts required to finance the activities of the government, with brief notations of such changes in these estimates as the President and members of his cabinet, and the party leaders in Congress may think advisable. The Congress devotes from two to four weeks of each session in debating the measures provided for in this Budget, calling upon each cabinet member to appear in person before the House and the Senate to explain and justify the figures in

the Budget which relate to his particular department. The remainder of the session is devoted to new legislation and to consideration of the state of the Union as set forth in the messages of the President and the detailed reports of the work of the various executive departments submitted by the cabinet officers and supported by the testimony and expert knowledge of the permanent under secretaries.

The conclusions drawn from these reports and the new legislation proposed to meet the situations which they disclose will depend upon the political complexion of the party dominant in Congress. The attitude of the legislators will be determined, not by those considerations of special and sectional interests temporarily arising which give birth to blocs, but by loyalty to party principles which have been openly declared before election and which have been approved by the votes of the people of the country as a whole. Once that approval of basic policies has been given, the operation of the Executive Departments will be conducted as business men conduct their affairs, without the blighting influences of personal or factional partisanship. Party differences will be on a broader basis, clean-cut and clearly defined. Platforms will no longer be filled with platitudes to catch the fancy and the vote of the farmer, the laborer, the Negro, or any other class or group of our citizens. Instead, we shall have issues drawn upon differences in opinion as to a policy of free trade or protection, as to a policy of national isolation or international cooperation, as to a policy of individual and corporate initiative and enterprise or governmental restriction and management, as to policies to guide us in solving the constantly

increasing number of social and economic problems which are arising and will arise as we go forward with the development of our national life.

As for the independent establishments which contribute so largely to the effective administration of government, the Federal Reserve Board, the Farm Loan Board, Civil Service Commission, Tariff Commission, Interstate Commerce Commission, and especially the Federal courts, they appear in our picture with a personnel equipped by character and training for the duties assigned to them. Here as elsewhere considerations purely political are not permitted to interfere with the businesslike conduct of the national affairs.

Nobody identified with the movement to put business into government and take politics out of business expects this picture to be completed in all of its details. We must always pay a certain price for the privilege of living in a democracy. But if the American people can be taught to see even the outline of the picture clearly, we shall succeed in reducing that price. It is my purpose and pleasure to speak tonight of a few concrete measures which are being advocated in the belief that their adoption will assist materially in bringing about such a reduction.

One of the expensive features of our national democracy is the inefficient organization of the Executive Departments and the independent establishments already referred to. You are all familiar with the instance of the Bureau of Insular Affairs, which was set up within the War Department by Congress to handle all civil matters pertaining to the Philippine Islands and

Puerto Rico. That was in 1898, during the Spanish War, but when the war was over, instead of transferring the Bureau to the State Department, where it belonged, Congress did nothing, with the result that when we became involved in the European struggle, our War Department in addition to all its other troubles, had to concern itself with educating the native of our insular possessions. With this and other examples in mind, a Joint Legislative Committee was appointed last year to study the problem of reorganizing the Executive Departments. President Harding appointed Walter F. Brown as his personal representative on this Committee and before long it is hoped that Mr. Brown's report will be submitted to the President. This report should be analyzed and the public kept informed as to the significance of the various changes suggested. We shall be particularly interest in the matter of appointments under the new regime and as an organization the National Budget Committee proposes to exercise whatever legitimate influence it can toward enlightening the president as to the necessity for changes in personnel and the methods of making appointment.

We shall suggest, for example, that when a vacancy occurs in any of the independent organizations, three names be submitted to the president by the surviving members of all the independent organizations as a list from which he will make his selection to fill the vacancy. Taking it for granted that each organization will desire the strongest possible personnel for itself; I believe such a plan will insure the selection of a progressively better class of public servants and will be of great help in strengthening the executive branch of the government. It is too much to expect that merit will be the sole motive in the selection of men for the subordinate positions

in the public service, but if we can establish the feeling that fitness alone counts in filling the more important executive positions, that same attitude will gradually be taken with respect to the subordinate positions.

A very prominent member of the Democratic Party declared to me recently that whereas Woodrow Wilson had extended the principle of the Civil Service Law in the Postal Department by appointing many Republicans to postmasterships, all Democratic postmasters had been turned out upon the advent of the Republican Party in power in 1920. His opinion was that a desire for revenge would surely manifest itself when the Democratic Party came into control again. I hold no brief for either party in this particular matter, for I am not sufficiently acquainted with the facts to form a judgment. I do state most emphatically that the country pays tremendously for such practices, and we are unchangeably opposed to any practice which puts party interests ahead of the nation's welfare. We recognize, of course, that there are many minor positions in the government service which do not necessarily demand a continuous service, and that those positions will probably be filled by party workers in recognition of their service to the party organization.

On the legislative side, we are advocating certain changes in the rule of procedure which we believe will promote the idea of a more business-like government. The budget Bill of last June placed upon the president the responsibility of preparing a financial work-plan for the Administration. It follows that Congress intended to use this work plan as the basis of its own

deliberations and activities. The changes in procedure which we are advocating are intended to make it easier for congress thus to apply the Executive Budget principle.

First -- we advocate the creation by the Senate of a single Committee on Appropriations, as was done in the House last spring, in order that the centralized financial plan may be considered as a whole.

Second -- we advocate the setting aside of a give time for the debate on this centralized plan, and pending such debate, and the passage of all acts covering the income and expenditure contained in the budget, that no bill or motion covering any item in the budget, except the Judicial and Legislative Bills, be in order. Of course, special bills may be introduced either before or after this time, without regard to the Budget of the president. But the psychology of the situation is, that if Congress will consider and pass all items of the budget at one time, during which no special bills can be introduced, the tendency will be to diminish the number of special bills and to force them through the Budget System. This means that the Executive Department charged with the responsibility of spending the money will have the opportunity of presenting its case to the President through the Bureau of the budget before Congress is called upon to act. And that would be another step toward realizing the picture I presented at the opening of my remarks.

It was distinctly encouraging to read in the morning papers of January 9th the news of the dinner at the White House on the previous Saturday night, to which the President had invited the

Members of his cabinet and the leaders of his party in Congress. Coupled with the coordinating work of the Bureau of the Budget since last July, that was an indication, from the viewpoint of mere machinery of operation, that President Harding's administration is making excellent headway. Whether or not we as individuals, believe in the conclusions reached at that meeting, as published in the newspapers, we cannot but feel that they were reached after frank consultation and that they represent the honest opinion of the men in the party who are best qualified to determine such questions.

Among other things it is reported that the party caucus was suggested as a means of settling the controversial questions connected with the pending tariff legislation, partly because of the views of the agricultural bloc. Right here I wish to point out a fertile field of the National Budget Committee's work. The United States Tariff Commission was created by an Act of Congress, approved September 8, 1916. This Commission consists of six members. It has authority to investigate for the benefit of the president, the Ways and Means Committee of the House of Representatives and the Finance Committee of the Senate, the administration, operation and effects of the customs laws and their relation to the Federal revenue.

The commission has power to investigate the tariff relations between the United States and foreign countries, commercial treaties, preferential provisions, economic alliances, the effect of export bounties and preferential transportation rates, the volumes of importations compared with domestic production and consumption, and the conditions, causes and effects relating to

competition of foreign industries with those of the United States, including dumping and the cost of production.

The number of persons employed by the Commission on March 31, 1920 was 94. The appropriation of the Commission for the fiscal year 1920 was \$300,000.00

Now we believe that we are not unreasonable in assuming that this Commission is able to settle satisfactorily all controversial questions regarding tariff schedules. It was created for the express purpose of taking out of politics the vexatious questions connected with changes in the tariff schedules. Three hundred thousand dollars a year expended by non-political experts giving their whole time to an organization which has existed since 1916 ought to produce results which the president and Congress would be safe in following. They would undoubtedly be glad to follow them if the people would support them in doing so.

There are a number of gentlemen here tonight who have been deeply interested in the establishment and in the preservation of the purity of the Federal Reserve Bank system. They now recognize, as we recognized after the passage of the Budget Bill in June, 1921, that eternal vigilance is the price one has to pay in any endeavor to put business principles into government and keep politics out of business. We hope to join hands with these gentlemen in our common fight for better government. But the fundamental facts underlying our form of government must first be understood and appreciated by the thoughtful men and women of this country.

No clearer example of the distinction between the administration of public affairs and part politics can be found than in the question of the Federal Reserve Bank system. Everybody recognizes that banking is based on the operations of economic and business laws and that attempts to interfere with the operations of economic laws by class legislation can result only in harm.

The Federal Reserve System was the savior of this country during the war and has been of the utmost assistance since the Armistice. It operated in a purely non-political manner -- any other method of operation would have destroyed its usefulness to the nation as a whole. There is no conceivable emergency that could warrant any attempt to inject politics into the System. And yet, owing to the lack of intelligent understanding of fundamental facts by our people, the System has been under constant attack by the Senate for months.

Our two-party system seems to be in danger of being displaced by the bloc or group party system of France, Italy and other European countries. No greater misfortune could befall our people than such a displacement. We must never forget that in order to get action by Congress, either a majority or a two-third vote of the 436 men in the House and the 96 men in the Senate is necessary. Excepting in war, no national consciousness can sway these 436 and 96 men into a majority or a two thirds vote. The country is too large, the local interests, points of view and economic surroundings are too diverse, to permit of obtaining legislation by appeals to a united

national consciousness. The only bond that can possibly be effective is the bond of party loyalty and fealty. And yet how many of the citizens of New York City, particularly the women voters, forgot this fact in the presidential elections in 1919. We simply cannot afford to forget, if we would make progress.

We make this appeal to the business men of America. Will you not help personally in putting business into government by conducting your dealing with Washington in accord with the Executive Budget principle? Concretely, we ask you to take up all problems connected with the government with the proper Executive Department, or independent organization, and in doing so, to remember that your particular business or project, or hobby, is only one of tens, or hundred, or thousands of similar projects emanating from every part of the country. It is you businessmen who are largely, if not entirely, responsible for the situation in Washington, in regard to the Federal Reserve Bank and the cause of the suggestion of the Secretary of War that the controversy in regard to tariff be decided by a party caucus. It is you who should insist that our representatives keep politics out of the Federal Reserve System and you should recognize that a \$300,000 a year non-political agency is a very much safer and more satisfactory tribunal than any committee of Congress, and you ought to be willing to take up your tariff matters with it.

It takes time, hard effort, and money to build up an organization in this country through which the leaders of the people can be brought to see the necessity of making personal efforts to bring about the desired results. Every business man in the United States sought to interest himself

personally in the problem. We believe that we have already done much in getting the Budget System inaugurated, but much more remains to be done. We can succeed only so far as we get every State and Congressional District organized behind this movement, the only national movement which is advocating, not particular pieces of legislation, not the interest of any special or general group of citizens, but is striving to arouse a public opinion as to the absolute necessity, in these times of high taxes, of putting sound business methods into the operations of our federal government. (Applause)

DR. R.E. ELY: If business is to be better in this country, capital and labor have got to stop their everlasting tendency to scrap with each other. It takes a lumberjack to give us some idea how it is going to be done, and I take pleasure in presenting as the next speaker, Mr. Lumberjack Sherman Rogers.

Third Speaker

Mr. Sherman Rogers

Mr. Chairman and Ladies and Gentlemen: I don't feel really quite safe up here. I heard Senator Ledge trying to speak at Chicago at the last Republican Convention. I sat us in the gallery and I had to go down and ask the report what he had said. If I talk too loud, I want you to tell me and I will get on one of those chairs. I am going to try to treat a very difficult subject, so that I won't step on too many people's toes, but if I do, I offer no apology. (Applause)

Gentlemen, let me tell you that before any nation is going to prosper or is going to enjoy stabilized prosperity, it is only going to be done by capital and labor pulling together, by settling their differences over a table, the same table, instead of a labor union down in one part of the town and the executive up in the other part of the town, and neither of them knowing what the other fellow is doing or trying to do, and it is not impossible. I want to tell you that the easiest thing in America today is the settlement of industrial problems, provided that those interests really want to settle it. I take it that you do.

I haven't received an education from books. I am sorry. I would give both arms to have, and I believe one eye, if I had gone through Harvard in about six years instead of twenty minutes that I did take in going through, but I have lived with men, I believe I understand men, and I tell you, ladies and gentlemen, that I believe in men, practically speaking, all men, whether they wear overalls or broadcloth.

Before I came to New York, I didn't believe in Wall Street, I didn't believe in very many of the larger employers of New York City or any other city, and it was simple because I had never come in contact with these men. I had never felt that pulse of but one of them. In the one hour that I first met that associate of yours, just one hour, completely set me at sea and I didn't know any more whether I was standing on my head or whether I ought to be a Bolshevik or a Unionist or a What-not, and so I was a What-not.

In the City of Seattle, during the early days of the war, we heard that Mr. Schwab was going to arrive to address the shipyard workers, and we were glad to see him come. Just as many bolts and bricks in Seattle as there are anywhere, and I remember when the first bulletin was put up in the yard announcing the coming of Mr. Schwab, at once there was buzzing all over the place, not one single defense of Mr. Schwab, but let me tell you that there was 4,000 bitter condemnations. I can remember the day he arrived in the morning about eleven o'clock. The crane gang came around behind us. I was punching some steel, and one of those fellows says "Just wait until that oily fellow starts to talk and we will give him the razz in about five minutes, we will chase him out of the yard." Everywhere I could hear the lickspittle of capitalism was going to start to seduce the honest workers of that section, and I can tell you that when we, 4,000 of us, crowded out there in front of the Schwab stand at 12:40, in our working clothes, there were many of those pockets that had something else besides a tobacco pouch in them.

I don't suppose that out of those 4,000 men there was a dozen that had ever heard a great employer speak. Schwab was somebody; he was something oppressive; he was something lying awake nights scheming to put the chains of slavery around the neck of labor, and Charlie started.

In about five minutes I turned around at 4,000 men and they were simply tongue-tied. Those men stood there like they were speechless. In ten minutes, applause ripped over the whole crowd, and in fifteen minutes I could see every face, and they were watching Schwab every minute, every second, every word that came out, and all of a sudden, just behind me, I heard a voice that I

could recognize, and one of the boys of the chain gang, -- there were nine of us together, says
“What are they talking about; this guy is a real fellow.” (Applause)

In forty minutes, 4,000 real enemies of all capitalists in general, Schwab in particular, in forty minutes, the personality of Mr. Schwab from that stand had gone down into it, permeated every man in the crowd, and when he finished, he received a spontaneity of applause that I have never heard any speaker get, outside of Mr. Roosevelt. In other words, Mr. Schwab, by personal contact, by simple baring his breast, by showing his heart, by bringing the real Charles Schwab there, where every man could see him, had told the personality of Schwab, the squareness and the honesty of Mr. Schwab to 4,000 men; and, gentlemen, let me tell you that those who are, every one of you, employed, have got to start settling the labor problem right, and you have got to start selling yourself to your employee, just like you have to sell yourself to a banker when you borrow ten thousand dollars.

All you employers have been greasing three wheels of your wagon. You didn't realize that a wagon wouldn't run any longer when the one wheel broke down. Oh, you sold your personality to your banker, you sold your personality to every one of your business associates, you sold your personality to the wholesaler, to the public, and you never even thought of going down and selling that personality of yours to the men that needed it most and they are the easiest to sell, the working men in your plant. I want to tell you there isn't a man in this room in my hearing, that ever sold ten dollars of material but what you had to sell yourself to do it, and if you don't

believe it, just go out here in a pair of overalls tomorrow morning at the corner of 42nd Street and Broadway, and offer \$5.00 gold pieces for a quarter, and you will freeze to death before you have got any of them sold.

I have book agents come up to my house, and I have a very sudden way of dealing with them. I bought an encyclopedia a short time ago. I had turned down a dozen agents of that encyclopedia --Nelson's abridged. Finally one man hit me a little different. He tapped on the door and said, "Mr. Rogers, I know you are busy; I am just as busy as you are, so don't waste any of my time." I am going to sell you a set of books because you need them, because you have got to have them, and if the books are what I think they are, you can't do without them, and if they aren't what I think they are, I am only going to take a few minutes of your time," and in about five minutes he had my check for that set of books, and I will tell you that I had turned at least a dozen men down who had been trying to sell me the same encyclopedia.

There isn't a man in business but that he doesn't look over the man that sells. If you don't believe it, go down and try to borrow ten thousand dollars for your banker. You may hand him a statement and he will glance at your statement, he will look at it just for a second, but he will look you over from your head to your toes a long, long, time, up and down. If you register and he thinks you register, he will lend you the money, but I don't care what your statement shows, if you do not register, you don't get the loan.

I have wasted seven minutes now. I am not an economist. Well, I am as much an economist as a great many of them you are reading about nowadays, and yet I am here, being afraid that possible when I get started in this subject, I will forget it. I want to tell you that we have two contributing causes to radicalism, to misinformation, to misapprehension, to suspicion, to class hatred, today. One of them is down in our I.W.W. halls. He is not a great menace, because the very people he will reach do not trust him too far, he hasn't got anything solid behind him, but we have in our great institutions of learning, men who have been brought up in colleges, inside of them -- I repeat that, inside of them. They have studied books, they know all about the covers of the books, but they don't know anything about business, and they don't know anything about labor, but, oh, they certainly do a lot of talking about it. (Applause)

I have talked to quite a lot of Bolsheviki lately. I talked to a bunch of them last night for two hours and forty minutes. I am not going to do that now, but I did last night, and I want to tell you that the answer each time when I stuck, a fellow would come around and state the proof, Professor So-and So, of such a University say it, and in the last six months, practically every argument that has been put up against me by the class that don't believe in private ownership, they have quoted a professor of a university. And, again, I tell you I have met many of them on the train. I believe that a vast majority of our professors are sound, but I know some personally that are more unsound in two minutes that Lenin and Trotsky ever will be in their whole life.

No, I tell you, as I started, I only have one great regret in life, and that is, that I haven't a college education. I have two little shavers and I am going to bring them up and I am going to send them through school, and I am going to send them through the best college in the United States, and I am going to put hem in a business; but, gentlemen, before I put them in a business, after I get them through Harvard, I am going to complete their education by sticking them into overalls and let them get a little contact with men, with pick and shovel and spade in actual work, and I am going to stick them in a business office, so that they can see what it means to worry and not sleep, in order to try to meet the payroll, and they will know something about industry.

(Applause)

I want to tell you that any man -- I don't care who he is or where he comes from -- any man that tells me that he understands labor, and he hasn't worked with them or starved with them, he doesn't know what he is talking about, because he doesn't know anything about labor.

(Applause)

Gentlemen, I want you to have faith in the working man of this country. I am only a friend of you, the employer, and a professional man, so long as you can help the worker. My sympathies are entirely, wholly, with the labor of the United States, and I tell you from personal association with lumberjacks and miners from Mexico to Alaska, that 90 per cent of the workingmen want to play the game square, if only somebody will show them the road and they know it is the road when once they get on it, and since I have come and met the big employers of this country, in

Cleveland, in Philadelphia and Chicago, New York and Boston, I have been fully convinced that 90 per cent of the employers are absolutely square, and what I am trying to do is one thing that I have been thinking about ever since I was 14 years old, ever since the first two months I worked on a railroad grade, what I am trying to do is to get the square of those in capital and the square element of labor together and kick the others into the Atlantic Ocean, and they can get together, and they can't do it until they get together.

I worked with men and I like them, and those same men that I worked with, have made a Mayor famous. That same man told me only a sort time ago, that there was only one way to treat about nine-tenths of the lumberjacks in Washington. That was to stick them on a ship, put a hole in it, and shut them out, and I want to tell you this, and I mean you, when I say it, that if I have ever met a square bunch of labor, it has been the northwestern lumberjack -- I mean from the standpoint of service. I mean the lumberjack in the northwest, from the time he went on the job at seven o'clock in the morning, stuck through at his work and when he quit at six o'clock, I want to tell you that he was working, and I cannot say that much of labor that I have seen in the East, not by a long way. (Laughter)

Again I want to say, don't blame labor for going radical, don't do it. If you want to know one of the reasons, one of the causes of labor going radical, accepting radicalism, go home and take a look in the looking-glass and see one of the causes. It is not you, because of your arrogance; it is not you because you are taking advantage of your labor, but it is you because of your

indifference, because the employer is the only man in America that can get the truth down into his factory; he is the only man that can route the agitator.

I worked for men, for employers as a lumberjack. You know, we go up and down; we work in logging camps. All we have got to do is to step out of one camp into another, but I have never worked for a man but what I didn't want to believe in him. I never worked for a mine owner but what I wanted to believe in him, and I have never worked for one man that I could believe in. It was always "Somebody & Co.," until this "& Co." looked like the story about patsy, who walked around in Chicago, and every time he would see, "John Smith & Co.," "Sears, Roebuck & Co.," he looked around to the guide and he says "Who is this man 'Co', he seems to be in all of them." I had that same feeling about the employer, that they were something, but it was nebulous. Every single minute from the first day I started in to work on a railroad grade, even up in the bunk house in the mining company in Alaska, everywhere, Local No. 800, the strongest I.W.W. in the West, and every logging camp of the State of Washington, from the time I started to work, there was never one single thought but that on my finger-tips, there was the great mass of I.W.W., the Socialists, the Communists, radical literature. I was a first class I.W.W., and yet in all those years I never but heard a single contradiction to a single statement ever made as far as the employer was concerned. He was like a sphinx, never heard of him, never saw him, and there wasn't a man in any camp that I ever worked in, that didn't want to follow the employer as the logical leader, if they could have followed him, but he was something nebulous, but the I.W.W., the agitator,

the organizer, he was in there every day of the week, every week in the month and every month in the year.

Let me tell you that you can build all the organizations in the world, you can build them as strong as you like, you can have them backed by the military, but I am going to tell you that you are not going to get the co-operation of labor until you give them the helping hand of friendship first. Get that straight. And whenever you do it, you are going to be the leader of that crew, and after all, when the big strike came in Washington, when our men had gone hay-wire overnight -- hay-wire in our country means a gentleman in a blacksmith shop who raps a few strands of hay-wire and lets it go out, -- but when those men had gone, when they had left the camp, they had gone to Seattle without any explanation.

I was down in Seattle shortly after that when I got an inspiration to go to New York about eight or nine months. After I got out of the Army, I went down to one of our big loggers and I asked him to come out of the Ranier Club in Seattle, which is a great deal like the Economic Club in New York, and he come out there in evening clothes and I was there in boots and a wool smock and I said to him, "Hardboiled, I want to tell you something, and I want you to listen to me. I mean nothing to you. You don't know who I am. I don't know anything about you either, only what I see in the newspapers, but I want to tell you myself, if you don't get a little whiter, the employers of this State, the men of Washington are going to get a little redder." He said, "What do you want me to do?" I said, "We have got thousands of men sowing poison, a thousand men

pouring misapprehension, hatred, suspicion, among the working men of this country, and we haven't got a corporal's guard contradicting it or trying to get industrial facts down to the worker so that he can discriminate between truth and lies." He said, "What do you want me to do, go down and hiss them?" Then I said, "No, I don't believe any working man wants any paternalism from any employer." I want to tell you that there is no working man that is worth the snap of your fingers that wants paternalism from anybody. He has the second largest operation in the State of Washington, and he called his 2600 men together in four meetings and he stood out in front of the bunk houses and he took off his coat, he took off his collar, he unbuckled these things here (pointing to cuff links) and he rolled back his shirt and he let them see just the way he ought to be seen, from the heart, not from the point of the lead pencil; and he said "Boys, we are going to start a different tack. If Haywood can reach you at 2,000 miles, I certainly ought to be able to reach you at 26," and it was his personality he sold them.

"It is personality that I have been neglecting in this camp for the last 15 years, and I am going back. I want you men to elect by secret ballot inside the works, a delegate to represent each department in your works, and I will appoint a representative to meet you in joint council. We will go over all of our troubles, all of our misunderstandings; we will make our own rules at that first council meeting. I haven't got anything to give out, only a tentative proposal to you," and when they had their first election with the first assistant of the kind tried in the State of Washington, with nine men representing the workers, nine men, the reddest I.W.W.'s that ever escaped Moscow, inside of three months, by actual personal contact with the management and

facts, they were nine of the most conservative men that I ever saw in my life. I was out there a year and a half ago and I saw one of the Council's meetings of this company, and these men were pointed out to me, the most conservative men. They had placed a certain responsibility on their shoulders that they refused to shirk, and those men from that time watched every word they spoke, and they didn't speak a word to labor until they knew it was facts. Why? Because through actual personal contact with the management at these council tables where they sat and discussed wages, working conditions, hours, they had met on a common ground, for the first time in their lives confidence had taken the place of suspicion, and the class distinction barrier had dropped, and so finally there came a time in this logging camp where the men and the management agreed that they were up against a stone wall and couldn't agree; they had talked it over like men, they had talked it over honorably and honestly, and yet they couldn't arrive at a conclusion and one of the men got up and said "Now, what are we going to do, strike, after we have set this up for a year and a half, are we going to strike?" he said "No," and the answer of the employer was this; - Square men talk the same language the world over, and they don't need an interpreter -- he says "What will we do? I will select three men from my Committee, I want you men to select three from yours, and we will let those six men sit down and by unanimous consent, by unanimous approval, they will pick the Arbitration Board of gentlemen, and we will put our troubles before that Arbitration Board, and we will abide by the result," and the men said "That is fair."

Well, I was out there talking to those men a year and a half ago. One of them says "My dear fellow, I have been an I.W.W. since 1905, and I never thought there was a square employer

living, I didn't think that was possible, but believe me, if anybody calls old hard-boiled a crook, I will kill him." He say "We have met him and we have seen him and we understand what co-operation in industry means, because we understand what we are working for," and there is only one way to get that spirit behind labor and lead to a better understanding, and that is by the elimination of suspicion and the dropping of this barrier of class distinction.

I was one of the most expert potato peelers in Washington seventeen years ago. Two cooks told me that, and I was proud of the distinction. I still am. Gentlemen, but in all that time I had the same feeling that when anybody wanted to tell me that there was a difference in blood between a worker and a manger, I was always ready to fight, and I still am; and I said to a bunch on Avenue B last night, that if there was any class barrier built between the employer and the employee, it would be by the employee, that the employer did not feel that way about it, and from my association with employers since, I feel that the employer does not desire a class distinction barrier.

Gentlemen, when I come back, I come back with only one idea, I come back here with the feeling that if we could only bring the two great elements of American society together, the man that pays the check and the man who received it, the two men that should by all the rules of the game, pull the wagon from the same end, I knew that that couldn't be done until we eliminate hate.

I want to tell you today that when I size a man up, I judge his character, I judge it solely on his ability to always look at any matter with tolerance, and I think that tolerance today is the greatest virtue of human nature. I do not believe there is a brain in New York big enough to hate and reason at the same time.

I believe in organized labor. I believe that Mr. Gompers has made one of the greatest battles to keep this country right of any individual in it. Now, I see you don't like that. Gentlemen, if you will read yesterday mornings New York World, and if you look at what the New York World is sending out broadcast, their articles on opinion as to whether we should be represented at Genoa to recognize the Bolshevik regime, look at what Mr. Gompers said. He said "Never will the American Federation of Labor recognize the present Bolshevik regime of Russia," and I want to tell you that while others have been condemning old Samuel, I want to tell you that for the last three years, Samuel Gompers alone has made one of the greatest battles in this country against the rising tide of Redism, not only in the Federation, but outside of it. He has been tireless, zealous, vigorous, in the interest of the private rights of American citizens. He has fought government ownership of everything, and he has said it and fought that out, and I am going to tell you that we should give old Samuel credit for it, even if we cannot agree with him on something else, and that brings me to the subject of the walking delegate.

I have met 100 of good business agents -- I recognize there was a time when the business agent was absolutely essential, but let me tell you that the business agents' system in many parts of this

country, people had begun to believe that the union itself restricts production. It does not. It is that self-imposed czar inside of the Union that imposes that restriction, the walking delegate.

Gentlemen, I will tell you why I don't believe in him. I was over in Cleveland a year and a half ago, and I was addressing an audience of 1800 Union men, and when I got through after two hours of talk, I looked over across the hall, and there was a little fellow standing in the rear. He came up to me and said, "Rogers, you may believe in this, but what and where does the business agent, the walking delegate, come in in this scheme of yours?" I said to him, "My dear fellow, he doesn't come in, and I am going to tell you why he doesn't." I have had trouble with a third party before. I am a married man; I got a young wife; she is full of pep, and I am not dead myself, and every once in a while when I can look into the eye of Mrs. Rogers and see that all is not well, I just take her by the hand and we talk it over, and we talk for a long, long time. It is all right as long as we are left to ourselves, but just as soon as my mother-in-law come butting in -- (Great laughter) -- I am perfectly safe in saying that; my mother-in-law is 3,000 miles away. No, gentlemen, I want to tell you that there is a great shining hope for the future, and that hope rests on the fact that there are over a million men today, Union men as well as non-Union, that have personally got the idea, and they have confidence in it. There are several hundred factories in America where they are not talking strikes every week; where there is confidence between employee and employer, and where there is co-operation. That means 100 cents worth of work for the dollar, and 100 cents of service to the dollar, and that is one thing that we need to restore confidence in America, and I can stand here and talk to you all night and I can tell you of

factories from Philadelphia up the line, from New York to Frisco where they have this system of shop government, and men sit across the table, and I can assure you of a revulsion of feeling in factories where they have strikes, strikes, strikes; and from the day the system was put in, they have never had a strike, and one of the pioneers was the Knox Hat Factory, in Brooklyn. For years before they put in shop representation, industrial representation in that factory, they had a strike about week, and the industry was entirely demoralized.

I wish you gentlemen could go over and spend one or two hours at one of their council meetings. If you don't know where Brooklyn is, look at the "Subway Sun;" but let me tell you that in that plant, I have been brought it many times, and I have never seen a spirit like it, only in the Washington Woods. I mean that every man knows why he is working, every man knows why wage cuts sometime are necessary, and they take it like men and they know that the company needs co-operation and needs it bad.

The other day I asked the president of the company, "What do you think of industrial representation?" he says, "Mr. Rogers, if I lost all my bank credit, if the factory burned down and they left me that council, I would go on. I would rather lose both my bank credit and the factory than to lose this system we have set up, because I know now that we can pull through and out of anything."

What I have told you is that this only can be established in plants where the company is sincere, where there is no effort and no intention to side-step.

As I told you, there are about three or four million men in organized labor. Those men, gentlemen, are not wrong; and let me tell you, these men, instead of trying to fight them, I want to tell you that the real progressive business man should recognize his own responsibility, and if there is a wrong business agent leading his own men wrong, you should get down and put him out of business. You can take the place of any business agent that ever lived, and you have got the best of it because you have got the facts at your finger tips, and if you haven't got them, well, there ought to be a business agent in your factory.

Gentlemen, I have confidence in America, I have got confidence in en. I have got confidence in the management; and I want to tell you today that I have got all the confidence in the future because, as I told you, I know that 90% of the management and men are square, I know they want to play square, and I know today that we have leadership, something that we have lacked for four years in this country, but today, men in industry are beginning to lead; they are beginning to wake up; they are beginning to get off their high horses and get down among men, and just as quick as that becomes universal, we are going to have industrial representation in the country because the worker is right. He wishes the opportunity of getting justice without asking the employer for it, and they can't prevent them from getting it. Do you think you can deny a man a hearing? What would you think of a decision handed down by the United State Supreme

Court tomorrow morning, where they handed it down after hearing one side of the case and they said “We don’t care to hear the other?”

I want to say, if we are ever going to have co-operation, if we are going to have a feeling of good will in industry, it can only be in industry through association, through men rubbing elbows, through a perfect understanding, and you cannot get understanding by wireless. You have got to go down and talk man to man and you have got to meet the men as men when you talk. That is my crusade today, and I started in to speak, I started in at the United States Chamber of Commerce, and I guess probably a great many of you remember it. When I got an invitation to make an address, I had never looked into a bunch of men in my life, and you know what an invitation to the New York State Chamber of Commerce means -- formal dress. Well, I didn’t exactly know what that meant, but before I got through with the tailor, it was \$176.00 of evening dress that I got, and I memorized a 4,000 word speech written by a college professor. Oh, those words! I don’t know what they are today, and I bet you the fellow that put them in there didn’t know what half of them were, but I memorized them.

I went down, and when I was down at the New York State Chamber of Commerce, they handed me a list of those present, and when I started to talk, that is the first time that I was ever really scared in my life, and the 4,000 words went just like that. I couldn’t get one word of that 4,000, and all of a sudden, somebody looked up at my vest. There is one thing out West that we fight about and we never waste any time talking about it either, and that is, when a man makes a

remark about a man's diction or a man's clothes, and from that second, I tell you, every drop of blood started from my toes and went to my head, and for 25 minutes down at the New York State Chamber of Commerce I talked. I didn't see anybody while I was talking, but I understood when I got through that they all understood just what I said, although I didn't recollect it. That night I was convinced that the heart of the employer, that the heart of the financier was square, because if those men hadn't been square, they would have used eggs instead of standing up that night when I got through.

Now, gentlemen, I want to tell you that the thing we need for the stabilizing of industry is leaders of men. There is only one kind of man in industry today and that is the man that leads men and builds shop discipline on respect, not the fellow that drives a man through fear. That is the big job, the big future job in industry, and it cannot be done by wireless. And in conclusion I want to say that when God made man, he made on of the most perfect machines. I think the He made him almost perfect, susceptible to temptations, quite true, but I want to tell you that radicalism, the me who fight society, dos so through incorrect statements, through misinformation, and we have got to put the cards on the table, we have got to get industrial facts in this country, because if there was ever anything prevalent, as I told you a moment ago, it is misinformation, which is as thick and numerous as sands on the seashore. Industrial truths are as scarce as barber shops in Russia.

Now, gentlemen, all I want to say in conclusion to everybody, is, I want you to have faith in labor, I want you to put your faith on labor, and I want you to have faith in the woman that stays in the house and takes care of the home, I want you to believe in those people. I want you to approach them in a way that they can approach you, that they can have a feeling that you are with them instead of against them.

Gentlemen, all I say in conclusion that I am working for, is to strive to get the 95% clean element of labor and the 95% clean element of capital over the table where they will join hands, and kick the other 5% in the Atlantic Ocean where they belong.

I thank you. (Applause)

DR. R.E. ELY: There is a newspaper in New York that sells higher than any other daily paper, and in spite of that fact lots of people buy it. The explanation is here tonight. We shall be happy to hear Mr. Clarence W. Barron of The Wall Street Journal. (Applause)

Fourth Speaker

Mr. Clarence W. Barron

Mr. Chairman and fellow members: The previous eloquent speaker has told you how a man feels in his knees on his first appearance. I leave the rest to you imagination. You do not know me as a

speaker. You know me as a writer. I tell you distinctly that I am a farmer and I am going to speak for farmers tonight. But first I am going to speak from a wide field, for my friend Hirst has opened a subject that is rather near to my heart. I have been studying this subject of foreign debts for some time. I have studied it here, and I have studied it in Paris. I have studied it in London. I have studied it in Berlin and in other European centers. And I want to take time first for a few words of dissent from my friend.

I believe in the peace measure of President Harding. I believe in the peace conference at Washington. And I believe that the cancellation of debts -- international debts, contracted in war -- is one of the foes of peace.

England is going to pay her international debt whatever the cost and England's credit is going to stand as high after as before the war. I cannot believe that Mr. Hirst meant to speak for England. He may have been speaking for Liberia to whom we loaned \$27,000 so that, as one of our gallant allies, she might go up to Paris and sign the peace treaty, or he may have referred to some new foreign nations that we assisted to set upon their feet, but who never yet have been able to really stand upright. He cannot mean England, because England in the next great war may need another four billion dollar loan, and where will she get it if, for some years preceding, it has been the habit to question or cancel war debts after they have been contracted?

The present situation is rather different from that following the Napoleonic wars when, on the recommendation of Wellington, England found it economically profitable to withdraw her troops from France after the payment of seventeen million pounds sterling and cancel the balance of a promised thirty million. Cancelling such an indebtedness as a matter of economic good sense is one thing. But it is quite another thing to let our European allies carry off the spoils of war in Asia Minor, Palestine, Persia, Africa and the Far East, indeed all over the world, and then call upon Uncle Sam, because he is still rich, to cancel their obligations, justly and properly incurred, and thus assist Europe out of the doldrums. That is something we cannot tolerate. (Applause)

And we do not tolerate it because it is not in the interest of international peace. We might, when Europe become prosperous and we become poor under bolshevism or labor union domination, or the Great War between capital and labor -- we might wish to borrow, and that is one reason why we do not wish to cancel international debts now. (Applause)

I have to look at the program to find the subject of the evening. (Laughter) I thought everybody else was going to speak on that topic and that I might tell you how to better the outlook for business. But I find the subject is not yet under discussion. I will try to put it there.

We are told the better outlook is based upon the cancellation of Europe's debts. We are almost daily told that the way to improve the world's business is for the United States to lend a lot of money to a bankrupt Europe and assist the people over there to work six or eight hours while we

in American agriculture work ten, twelve and fifteen hours. We are invited to relieve and assist; with American gold, nations that believe in living by the printing press.

Now Washington understands this situation pretty well. I have discussed it there as well as in the capitals of Europe, and it is perfectly well understood, and you who are engaged in banking, commerce and finance understand it, that Europe is not yet ready, is not yet on a banking basis, to be assisted. But we hope she is rapidly getting there. The first thing, as President Harding said, is to put our own house in order. And he has rightly struck at the basis of our own budget because we cannot stand a five billion national expenditure and then hope to save the whole world. So he invites the world to co-operate with us in reducing naval armaments and war budgets to a peace basis.

We find our war budget, two years after the war, on a basis of \$1,500,000,000 per annum, as compared with \$300,000,000 before the war. In fact, out of our present national budget of four billions, only 10%, or \$400,000,000 is for real government. The balance is armaments, pensions, war debts and war preparations. It is time that we take the leadership of the world in army and naval disarmament. That is our leadership.

There are much better ways of helping the world internationally than by cancelling international debts. I had not meant to discuss this subject tonight, but for another minute, I will just open that to show you that Europe is not yet ready for the true international financial solution.

You may not believe it now -- for you have probably not studied international financial problems down to a solution -- but the only way for the United States to loan money to Europe is by an international tax-free bond properly secured and endorsed. Europe is not in position to give that security or endorse it. She could not receive, or promise on a proper currency or international gold base, to say nothing of trade or industrial considerations.

It may seem strange to you, but it is nevertheless a fact, that the one great nation in Europe that, from a standpoint of real assets and liabilities, unified industrial organization and transportation, could, if it so elected, give the strongest international bond with the largest measure of security, is -- not England or France -- but Germany!

Outside of her post-war paper currencies and the international obligation to restore the devastated regions and pay to the Allies, Germany has the greatest assets with the least debt. She has been fighting for food and against the Versailles treaty since 1918; but with the printing press. Her financial war cost was about half that of the United States. In fighting the world, she issued less than 94 billion marks in bonds, or just about our present war debt of 23 billion dollars. Her war debt in national bonds today is but 78 billion marks, or on a pre-war basis, 20% less than our war debt. Of course, in paper today, that war debt is selling for less than half a billion United States dollars. But on the same paper basis the whole of Germany is selling for less than five billions, or less than two percent of the valuation of the United States. Under the

an auction of the assets of Germany should bring at least 40 billion dollars. She is selling for one-tenth of this. She is bankrupt on a paper basis. But her factories, her railroads, her canals, her people are ready for work. But she does not want to pay.

When we come to that condition that the previous speaker (Mr. Sherman Rogers) has noted, where, between France and Germany, there will be reason instead of hate, when you have reached that basis, there will be time to negotiate a loan. But we do not loan on international hatred. We loan on international cooperation and international progress, trade and prosperity.

Germany, at four billions in value, is not a good basis for loans. But she has the property to mortgage, and when she gets ready, and the indemnities are so fixed that she has a willingness and a wish to pay, then an international loan can be extended on a sound basis and the United States can take at least one-half of it.

But that international loan has got to be a tax-free loan, believe it or not as you will; otherwise it will be taxed out of every European country and the United States along will carry it. Here is something for you to think about. I have discussed it in every European capital, but not with the Germans because I did not want to interfere in that situation. Germany would naturally say: "Certainly. Borrow money from the United States, She can loan it. And then let us go free." No, the situation must be the other way. Germany must be willing to pay a proper amount and the allies must endorse, and the loan must be secured, and then when we have our own house in

order, we can help. Yet it has got to be a tax-free international loan, secured by German property, guaranteed by the allies in proportion to what they receive. But Europe is not yet ready for it.

Now a word more on the topic of the previous speaker. Mr. Rogers struck two key-notes for future prosperity -- contact of labor with capital, and contact of capital with labor. I could not but think, as I sat here, of Lord Cowdray, the richest man in England, who only a few months ago, sold the control of his Mexican oil properties to the Royal Dutch and Shell Co. for more than \$80,000,000. Although his father was a great contractor, the son elected to make his beginnings in business as a laboring man in overalls. He wanted that actual contact with real labor. Where did he go? To the United States and not to Europe. He came here as a young man and put on overalls and went right along with the construction gang on an American railroad. After that he succeeded his father and became the greatest contractor in the world. Cowdray became one of the great men of the world, because he had that vital contact between free labor and free capital.

To make our future prosperous we must join capital and labor in that better understanding and broader education. Mr. Rogers is right. Your education is wrong from top to bottom. You do not teach economics in the schools. Your colleges and professors teach Bolshevism all over the country. They are teaching that property is stealing; that the owners of capital are thieves. How can you have honesty and integrity down the line when you are teaching that the man at the top is only a horse-thief?

If there is one thing our schools need at this time it is the A B C of finance. There is not a problem in finance that is not in every man's pocket-book, or the United States Treasury; just a question of debits and credits, or present assets and future demands, where credits should be given and where reserves should be placed.

It might be easily demonstrated, as on a blackboard, that capital is nothing but saved labor. Capital and labor are primarily the same thing, and do the same thing. Capital is not only the best friend of labor; it is the only friend of labor. Capital competes with itself and reduces the rate of interest, lowers the rent and the cost of living. Then it extends the arm of labor, multiplies its effectiveness and, still competing, bids up the price of labor.

This is so easily demonstrated, and you, in the financial world, so well understand it, that you never think of putting it before your children, especially your so-called educated children. You do not see to it that the preacher, the teacher or the professor instructing your family understands the financial foundations. You never look to see what your schools are teaching in the line of economics. You leave such instructions to the agitator and the public press that is built for circulation and not for instruction.

I do not need to talk to this audience about the outlook for business or the better outlook for business. You know it, although you do not think about it. You know it because you feel it under

the pulse of a wheel where everything of industry and commerce and finance is reflected in prices. You know it in those financial bulletins of the Street that pass under you eye every few minutes.

Hegel declares that history teaches that the people never learn by history. While you feel the pulse of business, you do not reflect upon the foundation of your own business or what makes, or unmakes, the prosperity of this country.

Ask a hundred men in the Street what has made the United States great – the greatest nation on which the sun has shone. One will tell you that it is because of our great area of fertile soil for settlement the past two or three hundred years. But Africa has a larger undeveloped area and more fertile soil. Another will tell you it is because of our enormous wheat lands. But Canada has a larger area for the raising of wheat, and Canada has only 7% of our population. Some will declare that it is the little red schoolhouse. But on the question of reading and writing, Germany outclasses us. Of the people in Germany 98% could read and write when Germany went to pieces. Some will tell you that it is human freedom, but those of us who have seen Mr. Blinn in “The Bad Man,” know that Mexico is the freest country on the globe. There any man may set up a government of his own any time. The development of free government has been for a hundred years the business of Mexico. The only certainty about it is that when one government has been set up, another must quickly follow. That is the country with the greatest freedom in the world. It

cannot be freedom or intelligence, or soil, or immigration that fundamentally has made this great country.

We talk of the highway of progress. But we forget the highway in discussing the progress. Only a few hundred years ago, less than one million red men possessed this land. They had never seen a four-wheeled vehicle, had lived by the seacoast and on the rivers, and moved only by canoe.

Do you reflect that the history of the world for thousands of years has been the history of the coastline and the rivers? History is a recital of battles because battles make literature. But rarely do you read of the economic conditions that made the battles. History and the rule of the world has been from the highways by sea or land. Venice ruled the world when the center of the world's commerce, when Constantinople ruled the highways between Europe and Asia, it governed the world. You will find Rome ruling when it commanded the highways that led everywhere in the known world. You will find that the battles of comparatively modern times were the battles for free highways as between the Dutch, the Spanish and the British; and when the Briton won, he made the highways of the ocean safe for his commerce to and from all parts of the world. But the Briton could not move far in from the seacoast.

He could not penetrate China, where recently 40,000,000 people were starving because they had no highways by which to go in and out for food. Australia is the size of the United States, but has

no rivers and no railroad development and has today less than 6% of the population of the United States.

The only country on this earth that was ever settled economically right and settled with safety in its interior was these United States of America, which have been made great by rail transportation and by nothing else.

The history of the highway by land and sea is the history of civilization and the mark of the progress of man. We are forgetting its lesson in this greatest country upon which the sun has ever shone – a country that in the past hundred years has built more highways for the interchange of the products of man than have been built on the whole planet outside the United States. We are in danger of losing the lesson that man and his highway are in development inseparably connected.

What is human progress? There is no progress by mere existence. The development of man is by communication and contact with his fellows; by exchanges in mental development and by progress in standards of living which can be had only where one man exchanges his surplus goods of brain or hand with millions of his fellowman. The wider the human contact, the greater the human progress.

Every step of progress in the civilization of man has been built upon trade expansion. England has been made great by the use of the ocean as a highway. The United States has been made great by the exchanges within her own world over her iron highways at the lowest cost for rail transportation the world has ever seen.

As Mr. Hirst has just told you, these 50 states constitute the greatest free trade area in the world. It is not the production of goods that has made this country great, but facility in the exchanges between the different parts of the country.

Three hundred years after the white man discovered America, the United States was still on the coastline. Watts invented the steam engine in 1769, and in a few years thirteen colonies on our coastline were battling against taxation without representation. They set up a new republic and ushered in a great era of free trade by sea and then of free trade by land. First it was ocean transportation. The boys of Maine felled the oak trees by the Kennebec and the Penobscot, and knitted their knotted trunks into ships that commanded the seas before our Civil War. The clipper ships from New England and New York spread sail on every ocean and brought home the spices of India and the teas of China. They distanced the English ships to Liverpool. There were no ships on the ocean that in speed equaled the Yankee clippers.

But the steam engine and the iron highway were getting under way, and in just one hundred years from the invention of Watts, or in 1869, the men of New England and the seacoast had threaded a line of iron 3,500 miles across this continent.

I told you I should speak as a farmer. Recently I was called, as a newspaper man, to address a fraternity of journalists at Ames in the center of Iowa. I was to speak at the State Agricultural College, the largest agricultural college in the world, and in addition to find a hundred young journalists there, I was faced by 3,000 young students of agriculture and then farmers and farmer-bankers who had questions to ask. My business is to ask questions, but sometimes I have to answer them.

That day the State Agricultural College had made its final report to the farmers on the relative value in heat units of coal and corn. The farmers were asking, shall we burn coal or corn? I told them to put the corn into the hog and make the hog travel, but that they had got to furnish brains for the hog to make him travel.

What did I find on that richest soil of the United States where wealth in geologic ages had been washed down from the north and the western slope of the Appalachians and the eastern watershed of the Rocky Mountains; where the soil is several feet deep, and in the top 22 inches contains fertilizing value that the American Agricultural Chemical Co. could not put there for \$2,000 per acre?

The state college reported that 40 bushels of corn from an acre of this rich territory was just equal in heat units to one tone of coal. A ton of coal at \$8 and forty bushels of corn at 20 cents a bushel from an acre of ground were thus of equal fuel value. Corn is between 20 and 30 cents a bushel in Iowa, but farther west it is worth less than 15 cents; and before a starving world they are there burning it for fuel.

The people were studying corn and hogs, but they were not students of transportation. They only knew that neither corn nor the hog could travel any distance from the farm before all profit and all incentive to industry ceased. Why even in Ames they did not know whence came the name of the town. I knew because I had known in my lifetime most of the railroad men who had built up the great West by the five great transcontinental lines.

Most of these transcontinental lines and the five great railroad systems that span Iowa from east to west were sprung from New England. As a young man, scarcely out of my teens, I was a personal friend of Thomas Nickerson, the greatest railroad builder of this continent, the man who built the Atchison, Mexican Central, Sonora, Southern California, the Atlantic & Pacific, those great lines of the southwest, and yet he was unknown before the world. Somehow he seemed to like to walk and talk with me. He would not take his directors along with him to California or Mexico, but he would take me. And when he was tired we would walk around the water at Lakewood, New Jersey, and discuss everything from Cape Cod to California. All his twelve

brothers had commanded ships on the ocean. He, the youngest, was kept at home. He became one of the great commission shipping merchants in the world, and late in life he became a great railroad president and builder. He laid the foundations from his personal integrity and hard work, which have since fruited in the great Atchison system. He used to say: "Never forget it, Barron; the truth is in the Good Book. It is not money that is the root of all evil; it is the love of money that is the root of all evil." He understood soil and agriculture as did James J. Hill, that other great railroad pioneer working in the northwest, whom I have heard declare how Nineveh and Babylon fell when soil and agriculture failed. He based Northern Pacific and the Great Northern on agriculture and the settlement of the land by families moving by low railroad rates from the Mississippi Valley to the Northwest.

On the top of the Rocky Mountains where the line of the Union Pacific goes over the Great Divide there stands a monument in stone to Oakes and Oliver Ames, the shovel makers of Massachusetts, who first bound in lines of iron the Mississippi Valley and the Rocky Mountains.

When the Atchison on the south and the Hill lines on the north had come into competition with the Union Pacific and reduced transcontinental rates and bankrupted the earning power of that great line, E. H. Harriman of New York, the son of a clergyman who had never received from his parish as much as \$800 a year, picked up the Union Pacific and did what almost every railroad and financial man said never could be done. He rebuilt the road and equipment. He re-established its credit. He annexed the corn fields and the wheat fields and the prairies to Pacific

ports, to Atlantic ports, and the gulf ports. He made land 1,500 miles from the seaboard complete in Liverpool with lands in South America nearer the seacoast; a task that his wisest predecessors believed an impossibility. S.H.H. Clark, who had managed the Union Pacific from its beginnings, told me it could not be done.

The next monument on the Rocky Mountains, and besides that to Oakes and Oliver Ames, should be to E.H. Harriman, who restored American railroad credit for the Union Pacific and for the whole country. (Applause)

After Nickerson and Hill and Ames and Harriman you come up to the period of equinoctial calm preceding the great war, and I want to measure transportation then by the figures and show you, in a few words, what you have now to do for national prosperity.

In the three years preceding 1914, the average gross annual earnings of the railroads of the United States were two billion nine hundred million dollars. Out of that the net earning were 25% of the gross, or \$740,000,000. The railroads were not prosperous. They were simply in status quo. Then the Great War fell upon us, and who was the Great War profiteer? Was it transportation? Was it the railroad that had to take the shells and the guns and the food to the ships? Was it the maker of the guns or the maker of the shells? No sir!

The profiteer of the war was unionized railroad labor, and unionized railroad labor is holding and making that profit today. It is astride the whole country. It is holding all the transportation lines. It is holding the line of the exchanges between the farm and the factory; between the valley and the hills, between the seacoast and the interior. It is going to take more than one year to get the stranglehold off. You must do it, and in that doing is the hope of the future for the prosperity of this country.

The struggle, or rather the discussion, has begun. But you will not have prosperity in this country, prosperity for all the people, until you unshackle transportation both by land and sea. You cannot feed a starving Europe and finance the world and pay double rates to unionized labor handling your transportation on the ocean and on the land.

For prosperity you must unshackle both water and land transportation. Your freight rate to Europe is nearly 200% higher than before the war. The labor cost on the railroad between farm and factory is more than double what it was before the war. So far as the country as a whole is concerned, the wheat fields and the corn fields of the Mississippi Valley and the western prairies have been pitch forked a thousand miles toward the Rocky Mountains.

You could formerly get coal to New York at 8-10 of a cent per ton per mile. It now costs you double. You have in effect doubled the distances when you have doubled the rate.

The men who settled the west became the backbone of the country, and made the United States prosperous, are pushed up against the Rocky Mountains.

Figuring from three billion railroad gross earnings before 1914 and one-quarter of the gross, or \$750,000,000 for net, there should have been from recent gross earning of six billions a net return of a billion and a half for the creditors, the shareholders and the government, or 50% more than the railroads have ever been promised, guaranteed or indeed expected. There would then have been \$500,000,000 for railroad improvement and expansion. Railroad men would have been anxious for reduced rates and striving for increased traffic. Only by increased traffic can railroad rates be safely reduced.

But what did we get in 1920, out of more than six billions of earnings? In place of the one billion promised by the United States, the railroads did not get one darned red cent from their traffic; only something guaranteed from the government. They reported \$62,000,000 net after putting in 64 millions of back mail pay. The railroad labor bill was \$3,700,000,000 as contrasted with \$1,100,000,000 in 1910 or more than three times as much. It was also more than the entire railroad gross earning in 1916. In 1921 just closed, we have the figures for the eleven months to December 1, and the railroads reduced their maintenance account by \$529,000,000 and were thus able to report net earnings of \$564,000,000 or less than their interest and rentals.

Now the railroad managers, buncoed by Washington with false promises and guaranty of rates to produce a return of 6% on the railroad capital of the country, have been buffaloes by outcry for reduced rates and have yielded to the extent of a million changes, including thirty-seven important general reductions. Hay and grain rates west of the Mississippi have been reduced an average of 16%, farm products throughout the country an average of 10%. The total reductions in rates amount under normal business to \$200,000,000 a year.

The railroads have cut their maintenance, taken up more than 1,500 miles of rails, reduced their orders for locomotives to one-tenth of normal and for freight cars to one-fifth the normal and then show earnings of only about one-half what they are entitled to and have been practically promised.

Yet what do we read? Of daily demand for 40% reduction in steel rates and in coal rates, complaints of the cost of passenger transportation and nobody appears to put his hand upon the real trouble, the railroad wage. The farmer cannot get his ordinary compensation of \$1 a day, but the railroad engineer must have his \$10 a day and the country railroad station agent must have his \$6 a day where he formerly got \$2; for the government and labor unions have standardized railroad wages over the whole country.

When patriotism during the war was at white heat and costs were in the discard, two men sat in Washington with ambitions to rule at home and abroad. They listened to one man who said he

represented the labor interests of the country; not the brain labor, not the inventive labor, not organization labor, not the contracting labor, not the initiating enterprising labor, but the labor of hand, and particularly the hand upon the locomotive throttle. There was complete accord and thorough understanding. But the two great ambitious politicians lost out and Mr. Gompers won and still wins. That is where your railroads are, and Mr. Gompers knows it. The railroads are under the dominion of the labor unions.

Do you know the strength of your first line of national defense? Talk or negotiate as you will in Washington, there will never be safety in transportation or defense until the people of the United States have unshackled the hand of the labor union from the railroad locomotive.

It is not now watered stocks, but watered labor that stands between the United States and its prosperity and its ability to help right the affairs of the world and defend the peace of the world. Let me give you a few concrete figures.

The railroads of the United States, as you know, stand capitalized at twenty billion dollars. They could not be duplicated for thirty billions. They are selling for twelve billions, although the government valuation boards have shown that their capitalization at twenty billions is absolutely sound. You could not replace the rolling stock on these railroads for eight billion dollars. On the books of the companies their cars and locomotives stand at between five and six billion dollars.

To get a comparison between railroads and highways you must take the rolling stock off the railroads as you do not include the motors when you value the highway.

Deduct the rolling stock and you have only four billion dollars as the value of 250,000 miles of railroads in the United States, or \$16,000 per mile. Deduct the value of the rolling stock at six billion dollars, or less that replacement value -- you are wearing it out and must renew it soon -- and you have a railroad valuation in the share and bond markets of less that \$25,000 a mile for your 250,000 miles of railroad.

You are today taxing these railroads to put a cement surface upon your public motor highways at a cost of \$40,000 per mile just for a surfacing 18 feet wide. Can you base prosperity for peoples and properties on such injustice?

The people have been told that Wall Street owns the railroads. That is the greatest lie in finance before the people today. If Wall Street had owned the railroads we should not have seen this wrecking of transportation. You would have had agitation for one end of the country to the other. The first pages of the newspapers would have been blazing with dangers to transportation, dangers to the people and dangers to trade. You would then have learned of dangers to life and living by railroad credit breaking down and endangering the highway for the people.

Wall Street business has to do with money fluctuations, and Wall Street goes on whether things are up or down. Wall Street can go long or short; trade in cotton or wheat, rails or industrials. It plays with money, and goes broke when the country is prosperous and the factory payroll and good prices for the farmer take the surplus moneys away from Wall Street.

You are going to have prosperity in Wall Street in 1922 because the money of the world is headed for that center. You have a good bond market, and you can borrow money at steadily declining rates of interest and advance underlying security prices. But you are not thereby insuring for 1922 national prosperity for all the people of the country.

We have today a Wall Street prosperity. Of course, that kind of prosperity must precede a national prosperity, because you must have prosperity at the hub in order to get it at the spokes and the rim.

When you have imported in a single year \$700,000,000 of gold and reduced your circulation by one billion dollars, and brought your reserve under federal reserve notes to above 100% and your total federal reserve against paper and deposits above 76%, you have fundamentals for prosperity. But you have not got prosperity. You have gotten only a foundation.

“A nation sits starving on heaps of gold; all dreamers toss and sigh.”

You have got the money line right, but you have not got the line of transportation right. Business begins in the production of goods for one's neighbor. It depends for its expansion and profit on the number of neighbors one can reach.

You have fundamental commodity prices about right with many lines such as sugar, rubber, copper and a dozen others all below pre-war prices.

Now let us go back to the line of the railroad. I want to illustrate a condition by the great system of New England, the New York, New Haven & Hartford, that one time represented a billion of investment dollars.

In 1915, the New Haven Railroad shorn of its outside properties had \$65,000,000 of gross earnings and \$21,000,000 of net earnings. Last year, the calendar year 1921, it had \$116,000,000 gross earning and only \$10,000,000 net earnings. The net had been reduced 50% while the gross had been expended by 78%. Think of doubling the railroad gross earning and not of earning one-half of what you did before! Is that an incentive to railroad enterprise; a basis to attract railroad credit, railroad capital or railroad brains? And brains are quite as essential as capital, indeed more essential than either capital or labor.

Now the startling fact is -- and I will guarantee that there are not three men among the hundred in this room that know it -- that there was substantially no change in the ton miles or passenger

miles. They had not been expended in the seven years by more than 3%. Surprising as it may seem, astonishing as it is in the record, the monthly hours of labor decreased from 8,600,000 to 7,500,000, and the hours of labor in the transportation department decreased 23% or from 4.4 million to 3.4 million hours. The number of freight train miles actually decreased 20% and the passenger train miles decreased 8%. That is the record of brain and engineering efficiency on that road.

The New York, New Haven & Hartford has at its head one of the great engineers of the world, Mr. E. J. Pearson, who assisted in building the railroads of the west and northwest, and had an enviable record in their construction and operation.

For many years he has been quietly at work improving the machinery of the new have, lengthening the sidetracks to save idle hours of transportation, putting in new turntables to make prompter dispatch of trains, taking out curves and strengthening the line wherever an immediate saving could be effected and the cost justified from the relatively small sums at hand. He is a modest man and I cannot get him to complain over the fact that unionized labor and government regulations have eaten up all the improvements as well as the growth in the gross earnings.

The New Haven payroll for 1915, 1916 and 1917 was \$28,000,000 per annum and it rose to a peak of \$83,000,000 in 1920. Last year it was \$73,500,000 and it is today over \$60,000,000. In that advance of wages with decrease in labor efficiency is not only the strangulation of

transportation but the burial of operation and reconstruction efficiency so that management and brain results do not appear.

There is no watered stock in the new haven road but watered labor burying machinery and organization.

The Boston & Maine Railroad payroll was \$22,000,000. It rose to \$57,000,000 and is now \$44,000,000 or just double what it was in 1915.

Is this justice or righteousness as foundation for a free people to expand and build? Is it justice to tax these roads by such labor bills, by state, county and national taxes, and then issue tax-free bonds to surface the motor roads at \$40,000 per mile, to assist still further in the destruction of the life arteries of commerce?

The way you can help yourself and help the country for 1922 is to help restore efficient, fair and honest transportation. Build back the investment value that has been put into the rail highways and you will then have the basis for an enduring prosperity and also ability to help your neighbor both at home and abroad. But, until you do, your fundamental in trade is wrong, and the times are out of joint. I wish I had time to make everyone here tonight see clearly the far-reaching economic truths that intertwined with our transportation problem.

The prosperity, the peace and the happiness of a people depend upon justice and security in their endeavors, savings and accumulations.

The progress of a nation -- its growth, mental and spiritual, physical and financial -- depends upon its breadth of human contact in the exchange of goods and of ideas. Man grows, develops, expands, only by contact with his fellowman.

The uplift of man is by exchange of ideas, the fruit-age of the brain. The material, the physical, the commercial progress of man is by exchanges, in organization from the works of his hand.

The measure of his progress, the measure of his prosperity, is in the highway, whether by land or sea, over which he effects his exchanges of productions.

Over the golden door of the transportation building in the great Chicago Exposition was the truth of the ages, the key to the progress of America and the lesson for the true progress of 1922 – Easy transportation of men and things from place to place makes a nation strong and great.

It should be burnished in the truth of silver on the good of gold in the heart of every man who is willing to work in 1922 for the true progress of his fellowman. (Applause)